The Florida Senate

COMMITTEE MEETING EXPANDED AGENDA

BANKING AND INSURANCE
Senator Richter, Chair
Senator Smith, Vice Chair

MEETING DATE: Tuesday, October 4, 2011
TIME: 2:00 —4:00 p.m.
PLACE: *Pat Thomas Committee Room,* 412 Knott Building

MEMBERS: Senator Richter, Chair; Senator Smith, Vice Chair; Senators Alexander, Bennett, Fasano, Gaetz, Hays, Margolis, Negron, Oelrich, and Sobel

TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
1	**SB 140** Bennett (Identical H 4019)	Repeal of a Workers' Compensation Reporting Requirement; Repealing provision relating to the duty of the Department of Financial Services to make an annual report on the administration of ch. 440, F.S., the Workers' Compensation Law, to specified officials, etc. BI 10/04/2011 BC	
2	**Issue Brief 2012-226** (Citizens Property Insurance) Presentation		
3	Presentation by Citizens Property Insurance Corporation		
4	**Issue Brief 2012-203** (Personal Injury Protection (PIP)) Presentation		
5	Presentation by Office of Insurance Regulation		
	Other Related Meeting Documents		

The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Banking and Insurance Committee

BILL: SB 140

INTRODUCER: Senator Bennett

SUBJECT: Repeal of a Workers' Compensation Reporting Requirement

DATE: September 20, 2011 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Johnson	Burgess	BI	**Pre-meeting**
2.				
3.				
4.				
5.				
6.				

I. Summary:

The bill repeals s. 440.59, F.S., which requires the Department of Financial Services (DFS) to compile an annual written report on the administration of Florida's Workers' Compensation Law[1] and submit copies of the annual report to the Legislature and the Governor. The Division of Workers' Compensation within the DFS is responsible for preparing this report. Information contained in the annual report is available at the DFS website.

This bill repeals Florida Statute: 440.59.

II. Present Situation:

Pursuant to s. 440.015, F.S., the Department of Financial Services, the Office of Insurance Regulation, the Department of Education, and the Division of Administrative Hearings administer various provisions of the Workers' Compensation Law. The Division of Workers' Compensation within the Department of Financial Services is organized into the following program or functional units: Employee Assistance, Compliance, Monitoring and Audit, Data Quality and Collection, Office of the Special Disability Trust Fund, Office of Assessments, and the Office of Medical Services.

Section 440.59, F.S., requires the DFS to prepare an annual report of the administration of ch. 440, F.S., for the preceding calendar year, including a detailed statement of the receipts of and expenditures from the Workers' Compensation Administration Trust Fund and a statement of the causes of the accidents leading to the injuries for which the awards were made. On or

[1] Chapter 440, F.S.

before September 15 of each year, the DFS is required to submit a copy of the report to the Governor, the President of the Senate, the Speaker of the House of Representatives, the Democratic and Republican Leaders of the Senate and the House of Representatives, and the chairs of the legislative committees having jurisdiction over workers' compensation.

The *2011 Annual Report of the Florida Division of Workers' Compensation* contains narrative, charts, and graphs depicting the accomplishments and activities of the division. In addition, the report includes information regarding claims, the nature, cause, and body location of workplace injuries, and medical data.

The Division of Workers' Compensation maintains a website that provides data, forms, publications, and other information to assist injured workers, employers, carriers, health care providers, and other interested parties.[2] Information concerning the division's program areas and claims data is also available at the website.

The expenses associated with the administration of ch. 440, F.S., are funded primarily by assessments on the net premiums of workers' compensation carriers and self-insurers pursuant to s. 440.51, F.S.

III. Effect of Proposed Changes:

Section 1 repeals s. 440.59, F.S., which would eliminate the workers' compensation annual report of the DFS.

Section 2 provides that this act will take effect July 1, 2012.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

[2] The website can be accessed at http://www.myfloridacfo.com/wc/index.htm. (Last visited on September 21, 2011.)

B. Private Sector Impact:

Insignificant.

C. Government Sector Impact:

The Department of Financial Services has indicated that the elimination of this written report would result in an annual savings of $291 in printing costs.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

The Florida Senate

Issue Brief 2012-226 *September 2011*

Committee on Banking and Insurance

CITIZENS PROPERTY INSURANCE

Statement of the Issue

Citizens Property Insurance Corporation (Citizens or the Corporation)
Citizens is a state-created, not-for-profit, tax-exempt governmental entity whose public purpose is to provide property insurance coverage to those unable to find affordable coverage in the voluntary admitted market. Citizens is not a private insurance company, and its book of business is divided into three statutorily separate accounts:

Personal Lines Account (PLA) – Multi-peril policies which consist of homeowners, mobile homeowners, dwelling fire, tenants, condominium unit owners and similar policies covering damage to property from windstorm and from other perils.

Commercial Lines Account (CLA) – Multi-peril policies which consist of condominium association, apartment building and homeowners' association policies covering damage to property from windstorm and from other perils, as well as Commercial Non-Residential Multi-peril policies.

Coastal Account (Coastal) – Wind-only and Multi-peril policies which consist of personal lines wind-only policies, commercial residential wind-only policies and commercial non-residential wind-only policies issued in limited eligible coastal areas which cover damage to property from windstorm only. It also consists of personal and commercial residential multi-peril policies in specified coastal areas (wind-only zones) issued since 2007 which cover damage to property from windstorm and from other perils. Recently some Commercial Non-Residential Multi-peril policies have been added as well.

Each of the three Citizens accounts has separate calculations with regard to surplus and deficits. By statute, assets of each account may not be comingled or used to fund losses in another account. Due to lack of storm activity for the last 5 years, the current surplus held by Citizens for all three accounts is $5.742 billon: $2.686 billion Coastal and $3.056 billion PLA/CLA.

As of July 31, 2011, Citizens reported it had a total of 1,408,584 policies in-force throughout the state.

PLA - Personal Residential Multi-Peril	946,938
Coastal - Personal Residential Wind-Only	245,752
Coastal - Personal Residential Multi-Peril	166,944
Coastal - Commercial Residential Wind-Only	13,016
Coastal - Commercial Residential Multi-Peril	809
Coastal - Commercial Non-Residential Wind-Only	26,716
Coastal - Commercial Non-Residential Multi-Peril	225
CLA - Commercial Residential Multi-Peril	6,971
CLA - Commercial Non-Residential Multi-Peril	1,213
Total	**1,408,584**

Assessments

In the event Citizens incurs a deficit, i.e., its obligations to pay claims exceed its capital plus reinsurance recoveries, it may levy assessments on most of Florida's property and casualty insurance policyholders in a specific sequence set by statute. The three Citizens' accounts calculate deficits and resulting assessment needs independently:

Citizens Policyholder Surcharges: If Citizens incurs a deficit, Citizens will first levy surcharges on its policyholders of up to 15 percent of premium per account for a maximum total of 45 percent. This surcharge is collected over 12 months on all Citizens' policies and collected upon issuance and renewal. Citizens estimates its current total surcharge capacity to be $1.172 billion: $391 million surcharge capacity for Coastal and $781 million surcharge capacity for PLA/CLA. *(See Page 3)*

Regular Assessments: Upon the exhaustion of the Citizens policyholder surcharge for a particular account, Citizens may levy a regular assessment of up to 6 percent of premium or 6 percent of the deficit per account, for a maximum total of 18 percent. The regular assessment is levied on all lines of property and casualty policies in the state except workers' compensation and medical malpractice, but is not levied on Citizens' policies. Property and casualty insurers with policies subject to the regular assessment provide the assessment to Citizens up front and subsequently recover it from their policyholders at the issuance of a new policy or at renewal of existing policies. Citizens has usually been able to collect regular assessment funds within 30 days after being levied. Citizens Regular Assessment capacity is projected to be around $5.580 billion: $1.860 billion Regular Assessment capacity for Coastal and $3.720 billion Regular Assessment capacity for PLA/CLA. *(See Page 3)*

Emergency Assessments: Upon the exhaustion of the Citizens' policyholder surcharge and regular assessment for a particular account, Citizens may levy an emergency assessment of up to 10 percent of premium or 10 percent of the deficit per account, for a maximum total of 30 percent. This assessment can be collected for as many years as is necessary to rectify a deficit. Emergency assessments are levied on all lines of property and casualty policies (except workers' compensation and medical malpractice) in the state, including Citizens' own policies. Initially, property and casualty insurers with policies subject to the emergency assessment collect the assessment from policyholders at the issuance of a new policy or at renewal of existing policies and then remit the assessments periodically to Citizens. Thus, Citizens will not collect funds raised by an emergency assessment immediately after the assessment is levied, but will collect funds intermittently throughout the collection period as policies are renewed and new policies are written. Given that Citizens Emergency Assessment capacity is unlimited, the projected 1-100 year storm Emergency Assessment estimate is $6.468 billion for Coastal only. *(See Page 3)*

Reinsurance

A direct insurance writer will often spread its risk by purchasing reinsurance coverage from a reinsurance carrier. The reinsurance contract will specify the layer of the direct writer's risk that is shifted to the reinsurer and the premium that the direct writer must pay the reinsurer to assume the risk. For the contract year 2011-2012, Citizens has purchased private reinsurance coverage totaling $575 million for the Coastal account. *(See Page 3)*

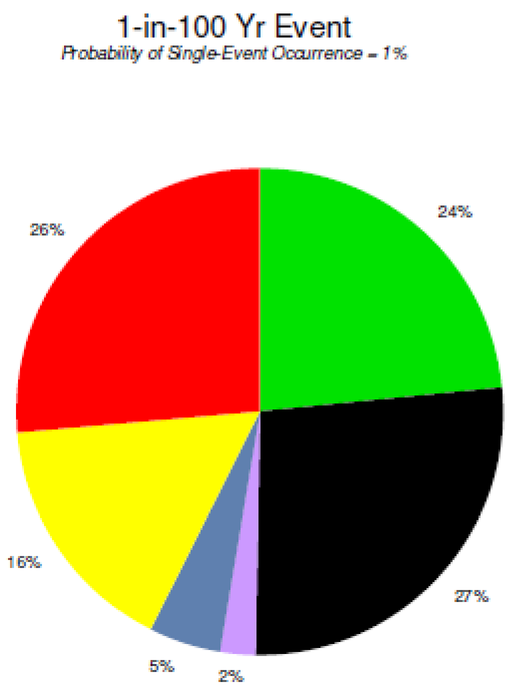
The Florida Hurricane Catastrophe Fund (FHCF or CAT fund)

The CAT fund is a tax-exempt state managed trust fund that reimburses (reinsures) insurers for a portion of their hurricane losses to residential property. To access the CAT fund an insurer must have incurred losses above the retention levels calculated and set by statute. When faced with a multi-storm season, insurers must reach their full retention levels on the two largest storms of the season. The retention level is then reduced to one-third the normal amount for any other storms that season. The current retention levels for Citizens' accounts are $1.738 billion for Coastal and $1.19 billion for PLA/CLA. If Citizens were to incur losses above their retention levels, the CAT fund could provide Citizens with an additional $6.591 billion in coverage: $4.010 billion would be available for Coastal and $2.581 billion would be available for PLA/CLA. *(See Page 3)*

CITIZENS 2011 PROJECTED CLAIMS RESOURCES

	PLA/CLA	COASTAL	TOTAL
Projected Surplus, 12/31/11	3.056 billion	2.686 billion	5.742 billion
FHCF Reimbursements	2.581 billion	4.010 billion	6.591 billion
Private Reinsurance	0.000 billion	0.575 billion	0.575 billion
Citizens Policyholder Surcharge	0.781 billion	0.391 billion	1.172 billion
Regular Assessments	3.720 billion	1.860 billion	5.580 billion
Totals*	**10.138 billion**	**9.522 billion**	**19.660 billion**

*Totals do not include Emergency Assessments as the amounts collected though Emergency Assessments are limited only to the amounts of remaining deficit. No more than 10% per policy can be assessed each year, but Emergency Assessments may be levied for as many years as is needed to cure any remaining deficits.



(in billions)

	PLA/CLA	Coastal Account	Total
Probable Maximum Loss	$ 8.528	$ 15.990	$ 24.518
Claims-Paying Resources:			
Accumulated Surplus	$ 3.056	$ 2.686	$ 5.742
FHCF Reimbursements	2.581	4.010	6.591
Private Reinsurance	-	0.575	0.575
Citizens Policyholder Surcharges	0.781	0.391	1.172
Regular Assessments	2.111	1.860	3.971
Emergency Assessments	-	6.468	6.468
Total	8.528	15.990	24.518

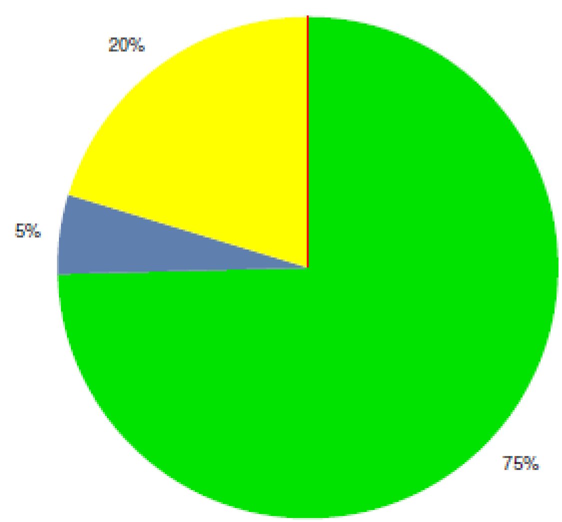
Discussion

During the 2004 and 2005 hurricane seasons, Florida was struck by a total of eight major storms that caused significant damage throughout the state. In 1992, Hurricane Andrew struck southeast Florida, and to date it remains the second most costly storm in United States history. Citizens has modeled how it would be affected if Florida encountered identical storm scenarios in the 2011 and 2012 hurricane seasons.

2004 - 2005 Storms

In the years 2004 and 2005, eight named storms made landfall in Florida. In 2004, Florida was struck by hurricanes Charley, Frances, Ivan and Jeanne, and in 2005, Florida was struck by hurricanes Dennis, Katrina, Rita and Wilma. If the storms of the 2004 and 2005 seasons were to have instead occurred in 2011 and 2012, Citizens estimates that its combined claims costs would be approximately $7.649 billion. Taking into account Citizens current $5.742 billion surplus, Citizens estimates its policyholders would face a surcharge totaling no more than 15 percent per policy for a collective total of $391 million. Additionally, all other policyholders in Florida would face a regular assessment of no more than 6 percent per policy needed to pay for the remaining $1.553 billion of Citizens losses as a result of the eight storms. Although the aggregate losses would exceed the retention level for CAT Fund coverage, none of the separate hurricanes, by themselves, would be enough to trigger the coverage, so no CAT Fund assistance would be available in this scenario. It should also be noted the PLA/CLA accounts would not sustain more in losses than is currently held in the surplus, therefore no surcharges or assessments would be warranted and $37 million of surplus would remain.

2004 & 2005
Storms

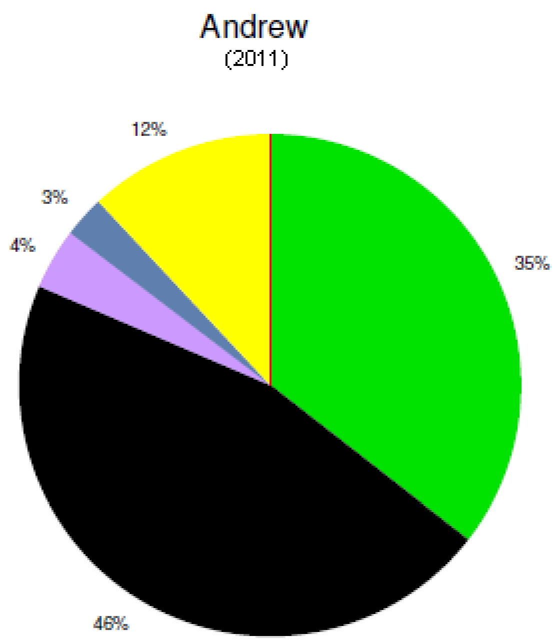


(in billions)

2011 & 2012	PLA/CLA	Coastal Account	Total
Probable Maximum Loss	$ 3.019	$ 4.630	$ 7.649
Claims-Paying Resources:			
Accumulated Surplus	$ 3.019	$ 2.686	$ 5.706
FHCF Reimbursements	-	-	-
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	$ 0.391	$ 0.391
Regular Assessments	-	$ 1.553	$ 1.553
Emergency Assessments	-	-	-
Total	$ 3.019	$ 4.630	$ 7.649

Hurricane Andrew

Hurricane Andrew was a 1-in-50 year category 5 hurricane that hit Southeast Florida on August 24, 1992. To date it remains the second costliest hurricane in the U.S., causing damage totaling more than $26.5 billion. If Hurricane Andrew were to hit Florida in 2011 exactly as it did in 1992, Citizens estimates that it's policyholders would incur a total of $14.651 billion in insured losses. Taking into account Citizens current $5.742 billion surplus, Citizens estimates $6.726 billion could be recovered from the CAT fund and another $575 million would be collected from private reinsurance. Additionally, Citizens policyholders would face a surcharge totaling no more than 15 percent per policy for a collective total of $391 million. All other Florida policyholders of the subject lines of property and casualty insurance would face a Regular Assessment of no more than 6 percent per policy which Citizens estimates would be needed to make up for the remaining $1.752 billion in losses. With this scenario the PLA/CLA accounts would not sustain more in losses than is currently held in surplus, and as a result, $535 million of surplus would remain. However, the CAT fund retention levels for all accounts would be reached resulting in $6.726 billion in CAT fund assistance.



	(in billions) PLA/CLA	Coastal Account	Total
2011 Probable Maximum Loss	$ 5.301	$ 9.350	$ 14.651
Claims-Paying Resources:			
Accumulated Surplus	$ 2.521	$ 2.686	$ 5.207
FHCF Reimbursements	$ 2.780	$ 3.946	$ 6.726
Private Reinsurance	-	$ 0.575	$ 0.575
Citizens Policyholder Surcharges	-	$ 0.391	$ 0.391
Regular Assessments	-	$ 1.752	$ 1.752
Emergency Assessments	-	-	-
	$ 5.301	$ 9.350	$ 14.651

THE FLORIDA SENATE

Committee on Banking and Insurance

Issue Brief 2012-226

Citizens Property Insurance

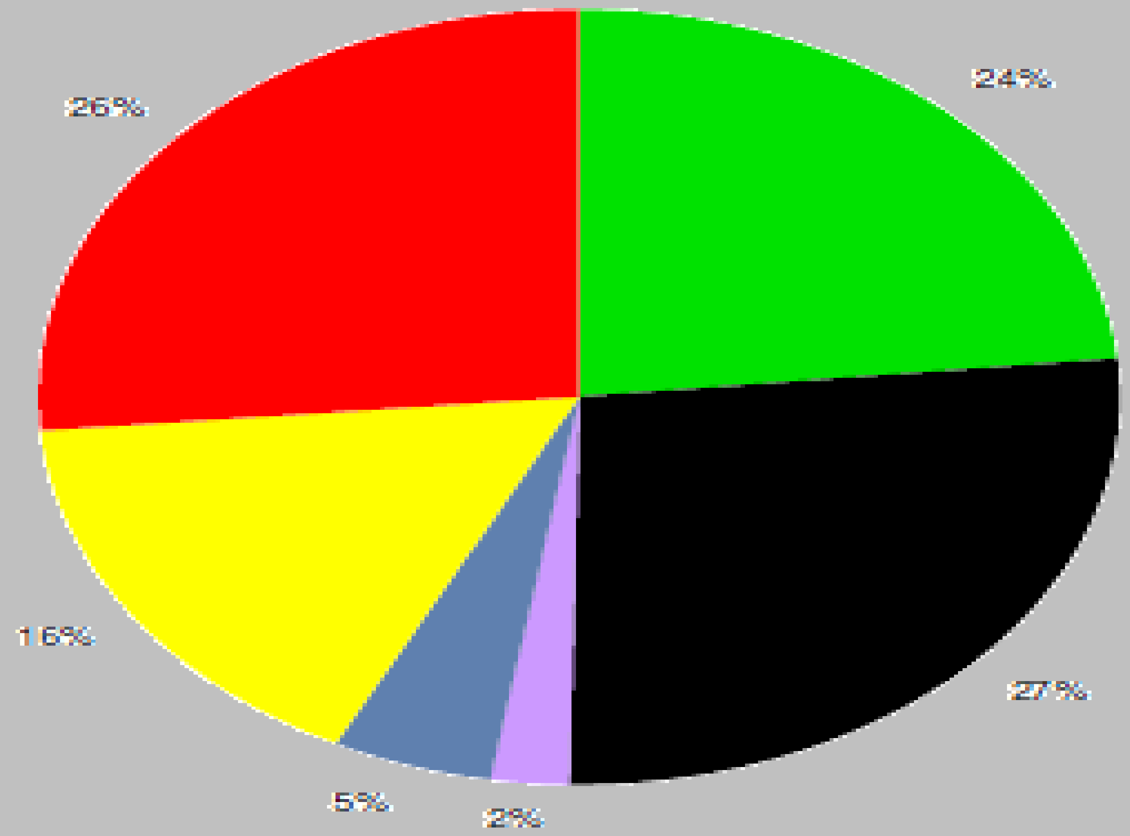
Senator Richter, Chair
October 4th, 2011

CITIZENS 2011 PROJECTED CLAIMS RESOURCES

	PLA/CLA	COASTAL	Both
Projected Surplus (12/31/11)	3.056 billion	2.686 billion	5.742 billion
FHCF Reimbursements	2.581 billion	4.010 billion	6.591 billion
Private Reinsurance	0.000 billion	0.575 billion	0.575 billion
Citizens Policyholder Surcharge	0.781 billion	0.391 billion	1.172 billion
Regular Assessments	3.720 billion	1.860 billion	5.580 billion
Totals*	**10.138 billion**	**9.522 billion**	**19.660 billion**

*Totals do not include Emergency Assessments as the amounts collected though Emergency Assessments are limited only to the amounts of remaining deficit. No more than 10% per policy can be assessed each year, but Emergency Assessments may be levied for as many years as is needed to cure any remaining deficits.

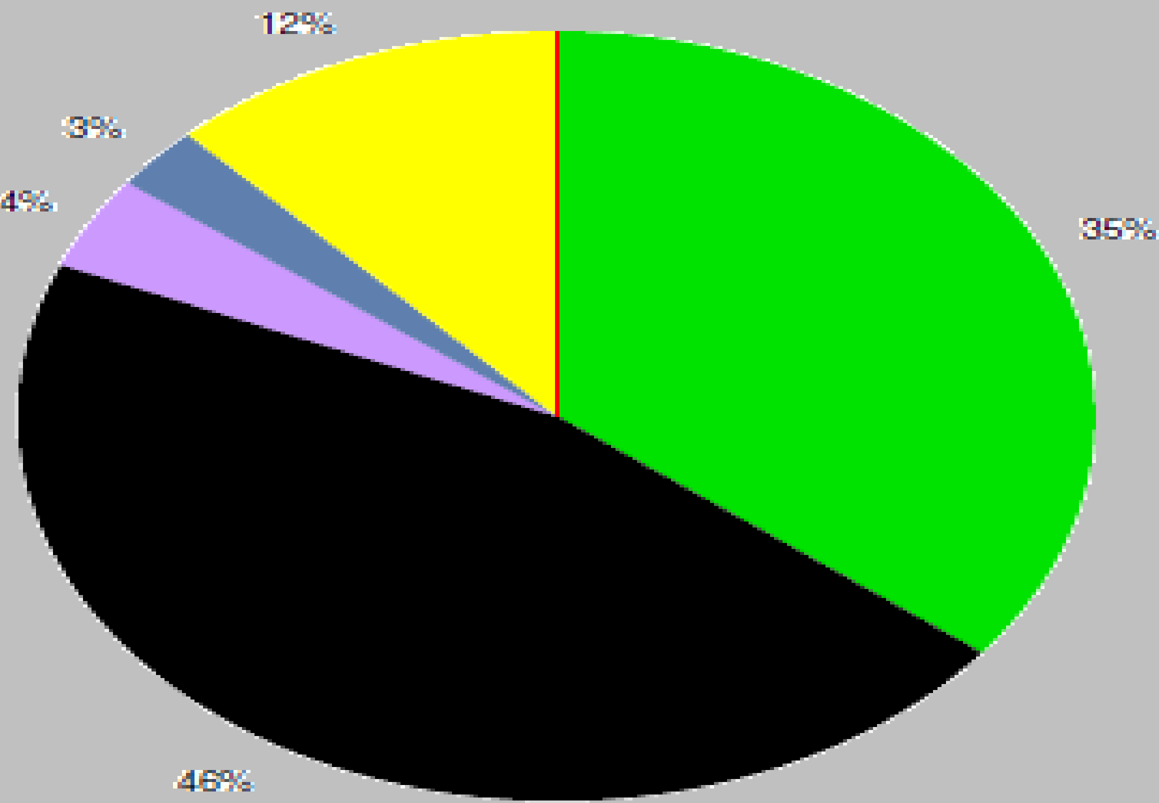
1-100 Year Storm



(in billions)

		PLA/CLA	Coastal Account	Total
Probable Maximum Loss		$ 8.528	$ 15.990	$ 24.518
Claims-Paying Resources:				
Accumulated Surplus		$ 3.056	$ 2.686	$ 5.742
FHCF Reimbursements		2.581	4.010	6.591
Private Reinsurance		-	0.575	0.575
Citizens Policyholder Surcharges		0.781	0.391	1.172
Regular Assessments		2.111	1.860	3.971
Emergency Assessments		-	6.468	6.468
	Total	8.528	15.990	24.518

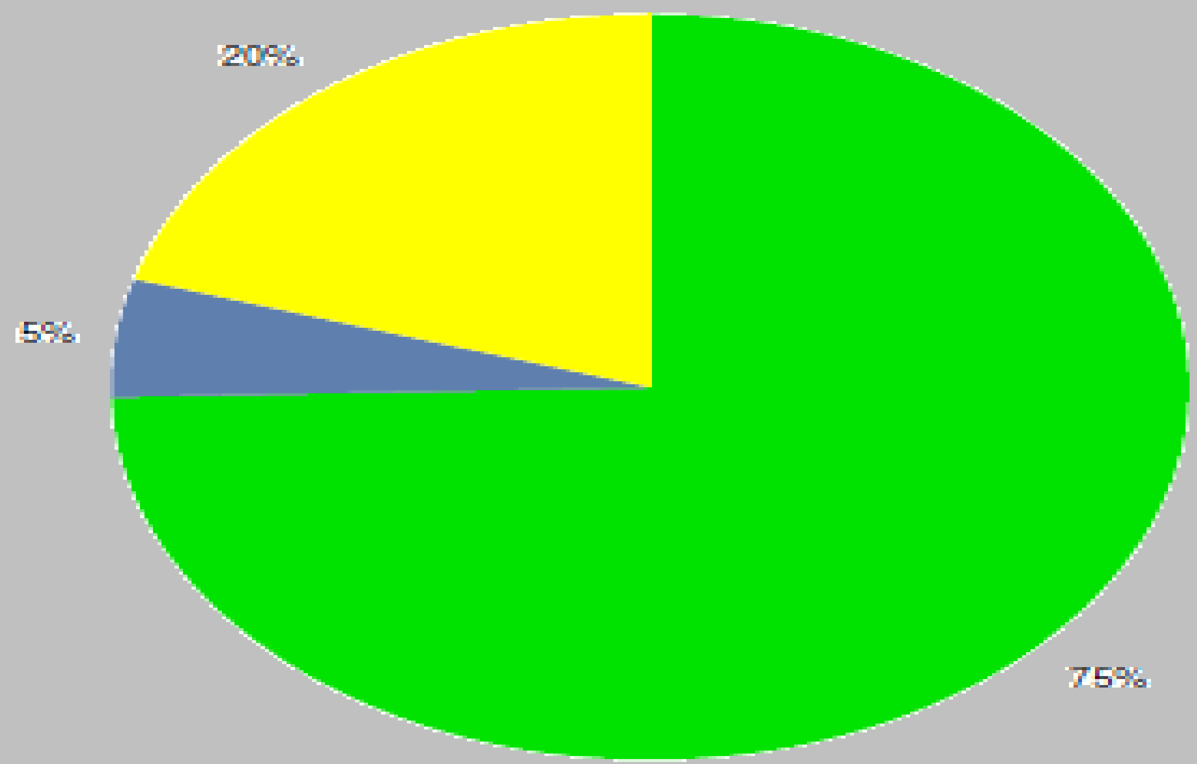
Hurricane Andrew (2012)



		(in billions)	
	PLA/CLA	Coastal Account	Total
2011 Probable Maximum Loss	$ 5.301	$ 9.350	$ 14.651
Claims-Paying Resources:			
Accumulated Surplus	$ 2.521	$ 2.686	$ 5.207
FHCF Reimbursements	$ 2.780	$ 3.946	$ 6.726
Private Reinsurance	-	$ 0.575	$ 0.575
Citizens Policyholder Surcharges	-	$ 0.391	$ 0.391
Regular Assessments	-	$ 1.752	$ 1.752
Emergency Assessments	-	-	-
	$ 5.301	$ 9.350	$ 14.651

2004-2005 Repeat

2004
Hurricane Charley
Hurricane Frances
Hurricane Ivan
Hurricane Jeanne



2005
Hurricane Dennis
Hurricane Katrina
Hurricane Rita
Hurricane Wilma

(in billions)

2011 & 2012	PLA/CLA	Coastal Account	Total
Probable Maximum Loss	$ 3.019	$ 4.630	$ 7.649
<u>Claims-Paying Resources:</u>			
Accumulated Surplus	$ 3.019	$ 2.686	$ 5.706
FHCF Reimbursements	-	-	-
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	$ 0.391	$ 0.391
Regular Assessments	-	$ 1.553	$ 1.553
Emergency Assessments	-	-	-
Total	$ 3.019	$ 4.630	$ 7.649

Current Numbers (September 2011)

Account - Product Line	Policies Inforce	Total Exposure	Premium with Surch
PLA - Personal Residential Multi-Peril (PR-M)	973,536	231,107,736,808	1,590,340,645
COASTAL - Personal Residential Wind-Only (ePAS PR-W)	246,855	104,725,809,300	454,517,970
COASTAL - Personal Residential Multi-Peril (PR-M)	170,073	39,587,830,276	331,605,384
COASTAL - Commercial Residential Wind-Only (CR-W)	13,079	56,308,886,654	232,503,555
COASTAL - Commercial Residential Multi-Peril (CR-M)	833	14,699,044,953	85,924,803
COASTAL - Commercial Non-Residential Wind-Only (CNR-W)	26,858	14,846,588,808	81,168,151
COASTAL - Commercial Non-Residential Multi-Peril (CNR-M)	227	394,527,100	2,524,485
CLA - Commercial Residential Multi-Peril (CR-M)	7,033	39,238,251,811	199,493,834
CLA - Commercial Non-Residential Multi-Peril (CNR-M)	1,264	1,456,930,900	7,881,201
Total	**1,439,758**	**502,365,606,610**	**2,985,960,028**

Senate Banking and Insurance Committee

Citizens Property Insurance Corporation

Sharon A. Binnun, CPA

October 4, 2011

What is Citizens?

- A State-created, not-for-profit, tax-exempt governmental entity whose public purpose is to provide property insurance coverage to those unable to find coverage in the voluntary admitted market
- Created from the merger of the Florida Windstorm Underwriting Association (FWUA)and the Florida Residential Property and Casualty Joint Underwriting Association (FRPCJUA)
  - FWUA: created in 1972 as insurer of last resort to provide wind-only coverage in Monroe County. The wind-only territories of the FWUA were expanded over time to include most coastal regions
  - FRPCJUA: created in 1992 following Hurricane Andrew as insurer of last resort for territories not served by the FWUA
- Governed by an eight member board of Governors, two of whom are appointed by each of the following State leaders: Governor, Chief Financial Officer, Senate President, and Speaker of the House
- Operates pursuant to a plan of operation which is reviewed and approved by the Financial Services Commission
- Subject to regulation by the Florida Office of Insurance Regulation, Operational Reviews by the Auditor General and the OIR, external audits, robust Office of Internal Audit

CITIZENS
PROPERTY INSURANCE CORPORATION

Basics re: Citizens

- Unlike a private insurer, Citizens does not have the ability to manage its book of business so that the exposure matches its surplus and reinsurance program. Citizens accepts most risks and its potential wind risk far exceeds its existing surplus and reinsurance.

- While Citizens is in its best ever financial position, with projected 2011 combined surplus + FHCF reimbursements + private reinsurance of just over $16.7 billion, we continue to rely on assessments to fund catastrophe losses in the event of a large storm or multiple smaller storms in a single season.

- Citizens currently has over $12 billion in cash and invested assets (includes $3.8 billion in pre-event liquidity).

Estimated Claims-Paying Ability – 2011 Hurricane Season

	$'s in Millions		
Description	Personal & Commercial Lines Accounts	Coastal Account	Total
Beginning Accumulated Surplus[1]	$ 2,770	$ 2,332	$ 5,102
Budgeted Net Income[2]	286	354	640
Total Accumulated Surplus available for claims	**$ 3,056**	**$ 2,686**	**$ 5,742**
Pre-Event Liquidity Available[3]	-	3,821	3,821
Projected FHCF Coverage (Mandatory Layer Only)[4]	2,581	4,010	6,591
Private Reinsurance[5]	-	575	575
Total 2011 Projected Claims-Paying Ability	**$ 5,637**	**$ 11,092**	**$ 16,729**

Notes:

[1] Accumulated Surplus (audited) as of December 31, 2009, plus audited 2010 net income and other changes in surplus.

[2] Budget is approved by the Board of Governors.

[3] Pre- Event liquidity does not represent risk transfer and any funds drawn must be repaid. Pre-Event debt is serviced by operating cash.

[4] FHCF coverage is based on estimates of preliminary exposure data, rating factors and coverage multiples. The final retention and coverage amounts may be significantly different from these estimates.

[5] Assumes the occurrence of an event or events sufficient to pierce and exhaust private reinsurance coverage.

Citizens Property Insurance Corporation

Financing

- **Pre-Event Bonds**
  - o Issued to provide liquidity for timely payment of valid claims
  - o Debt service is paid from operating funds and bond proceeds themselves
  - o Can be issued taxable or tax exempt

- **Post -Event Bonds**
  - o Triggered by Emergency Assessments
  - o Very unlikely for PLA/CLA
  - o 2% probability for Coastal Account for 2011 hurricane season
  - o Emergency Assessments can be levied over a number of years
  - o Debt service is paid by Emergency Assessments

- **Citizens credit**
  - o Rated A+ stable by S&P and Fitch; A2 stable by Moody's
  - o Strength of credit
    - oAbility to levy assessments
    - oParticipation in the FHCF
    - oStrong non-impairment language in the statute
  - oName change from HRA to Coastal Account
  - oDifferent from FHCF

Rates

- Prior to 2007, rates were set to non-competitive levels based on "Top 20" filings
- Effective January 1, 2007 through December 31, 2009, rates for personal residential and commercial residential were frozen (based on 2006 rates)
- Wind mitigation credits were doubled in 2008
- Beginning in 2010, Citizens was permitted to increase premiums but with a 10% cap on policy level annual increases
- With the current 10% cap, it will take several years to reach actuarially sound rates

Rates (cont'd)

- Even if rates are actuarially sound, assessments could be triggered depending on amount of losses in a season (severe single event or multiple events in a single season)

- When Citizens' rates are actuarially sound, such rates could still be less than private market due to differences in cost structure
  - No taxes
  - No profit/ return to investors
  - Lower administrative expenses as a governmental entity
  - Less reinsurance than private market
  - Lower commissions, no contingent commissions, profit sharing
  - No advertising

CITIZENS PROPERTY INSURANCE CORPORATION

Summary of Rate Changes- Sinkhole Only – Excludes Board of Governors' approved phase-in

Product Line	Type of Policy	12/31/2010 Total Inforce Premium at Current Rate Level	Indicated Rate Change	Filed Rate Change	Approved Rate Change
PRM and PRW	Homeowners - HO3	43,887,611	443.6%	447.0%	33.1%
PRM and PRW	Renters - HO4	0	0.0%	0.0%	0.0%
PRM and PRW	Condos Unit Owner - HO6	0	0.0%	0.0%	0.0%
PRM and PRW	**Total Homeowners**	**43,887,611**	**443.6%**	**447.0%**	**33.1%**
PRM and PRW	Dwelling-DP3/DW2	5,507,535	619.1%	619.1%	87.6%
PRM	Dwelling-DP1	252,905	898.8%	898.8%	287.7%
PRM and PRW	**Total Dwelling**	**5,760,440**	**631.4%**	**631.4%**	**96.4%**
Total Personal Residential Sinkhole		**49,648,051**			

Summary of Rate Changes – Wind and Other Perils

Personal Lines Excludes Sinkhole

Product Line	Type of Policy	12/31/2010 Total Inforce Premium at Current Rate Level	Indicated Rate Change	Filed Rate Change	Approved Rate Change
PRM and PRW	Homeowners - HO3	1,352,031,891	35.0%	9.4%	5.5%
PRM and PRW	Renters - HO4	6,138,568	15.8%	-0.3%	0.9%
PRM and PRW	Condos Unit Owner - HO6	93,751,667	26.8%	4.2%	8.3%
PRM and PRW	**Total Homeowners**	**1,451,922,126**	**34.4%**	**9.0%**	**5.6%**
PRM and PRW	Dwelling-DP3/DW2	357,783,934	36.1%	8.5%	6.4%
PRM	Dwelling-DP1	32,492,292	49.9%	10.8%	8.2%
PRM and PRW	**Total Dwelling**	**390,276,226**	**37.2%**	**8.7%**	**6.5%**
Total Personal Residential Non-Sinkhole		**3,294,120,478**			

Product Line	Type of Policy	12/31/2010 Total Inforce Premium at Current Rate Level	Indicated Rate Change	Capped Rate Change
CRW	Condo	108,192,970	80.8%	13.5%
CRW	Apartment	30,305,576	75.0%	13.7%
CRW*	**Total**	**138,498,546**	**79.5%**	**13.6%**
CNRW	**Total**	**80,107,521**	**78.8%**	**10.0%**
CRM	Condo	173,985,703	18.3%	5.2%
CRM	Apartment	48,258,265	22.6%	11.3%
CRM**	**Total**	**222,243,968**	**19.2%**	**6.6%**
Total Commercial Residential		**2,505,097,380**	**35.6%**	**8.8%**

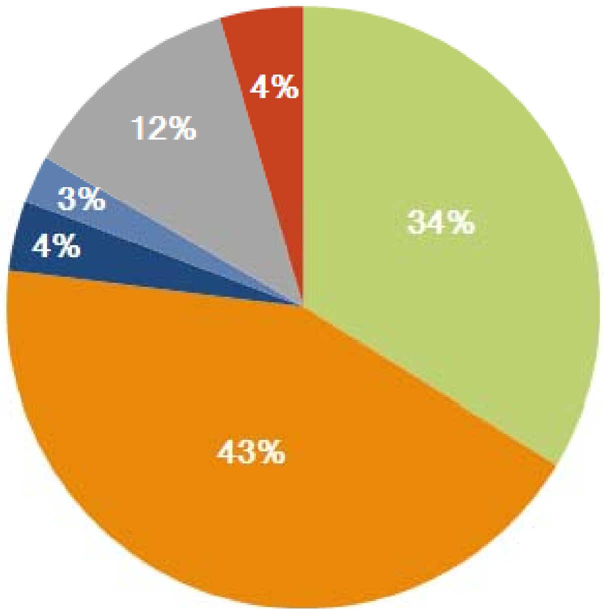
* These numbers do not include a-rated policies or special classes

** These numbers do not include a-rated policies, special classes, or specifically rates

CITIZENS
PROPERTY INSURANCE CORPORATION

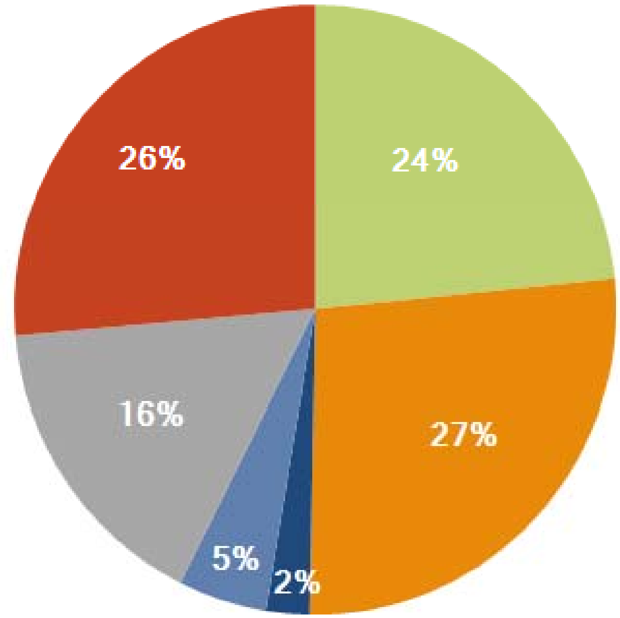
Projected Claims Paying Resources - Combined Accounts
2011 Hurricane Season[1]

1-in-50 Yr Event
Probability of Single-Event Occurrence = 2%



	(in billions) PLA/CLA	Coastal	Total
Probable Maximum Loss	$ 5.038	$ 10.216	$ 15.254
Claims-Paying Resources:			
Accumulated Surplus	$ 2.458	$ 2.686	$ 5.144
FHCF Reimbursements	2.581	4.010	6.591
Private Reinsurance	-	0.575	0.575
Citizens Policyholder Surcharges	-	0.391	0.391
Regular Assessments	-	1.860	1.860
Emergency Assessments	-	0.694	0.694
Total	$ 5.038	$ 10.216	$ 15.254

1-in-100 Yr Event
Probability of Single-Event Occurrence = 1%



	(in billions) PLA/CLA	Coastal	Total
Probable Maximum Loss	$ 8.528	$ 15.990	$ 24.518
Claims-Paying Resources:			
Accumulated Surplus	$ 3.056	$ 2.686	$ 5.742
FHCF Reimbursements	2.581	4.010	6.591
Private Reinsurance	-	0.575	0.575
Citizens Policyholder Surcharges	0.781	0.391	1.172
Regular Assessments	2.111	1.860	3.971
Emergency Assessments	-	6.468	6.468
Total	$ 8.528	$ 15.990	$ 24.518

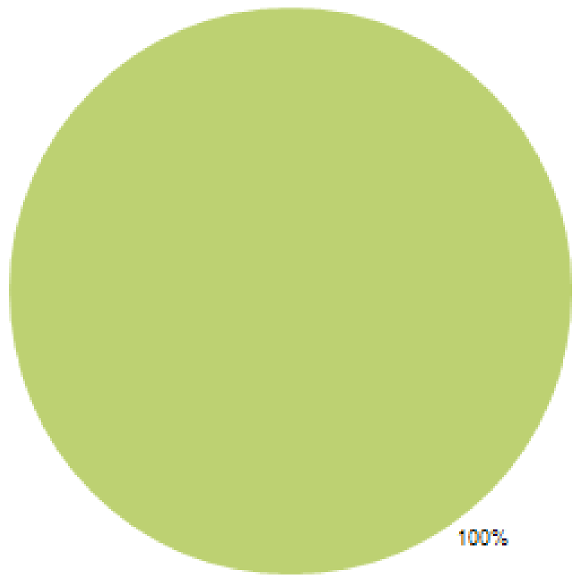
[1] See Notes & Assumptions ; PML in pie charts includes estimate for LAE

CITIZENS PROPERTY INSURANCE CORPORATION

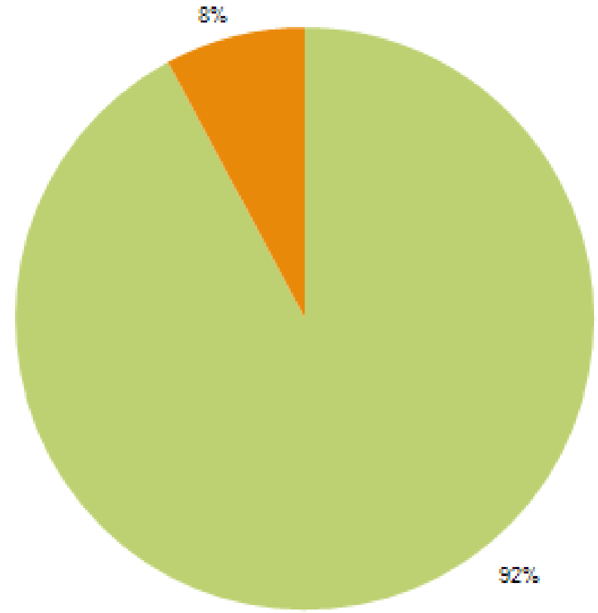
Projected Claims Paying Resources - Combined Accounts

2011 Hurricane Season[1]

1-in-5 Yr Event
1-in-5 Yr Event
Probability of Both Occurrences = 4%



1-in-5 Yr Event
1-in-10 Yr Event
Probability of Both Occurrences = 2%



1-in-5 Yr Event / 1-in-5 Yr Event *(in billions)*

	PLA/CLA	Coastal Account	Total
Probable Maximum Loss (see note below)	$ 0.728	$ 1.468	$ 2.196
Claims-Paying Resources:			
Accumulated Surplus	$ 0.728	$ 1.468	$ 2.196
FHCF Reimbursements	-	-	-
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	-	-
Regular Assessments	-	-	-
Emergency Assessments	-	-	-
Total	0.728	1.468	2.196

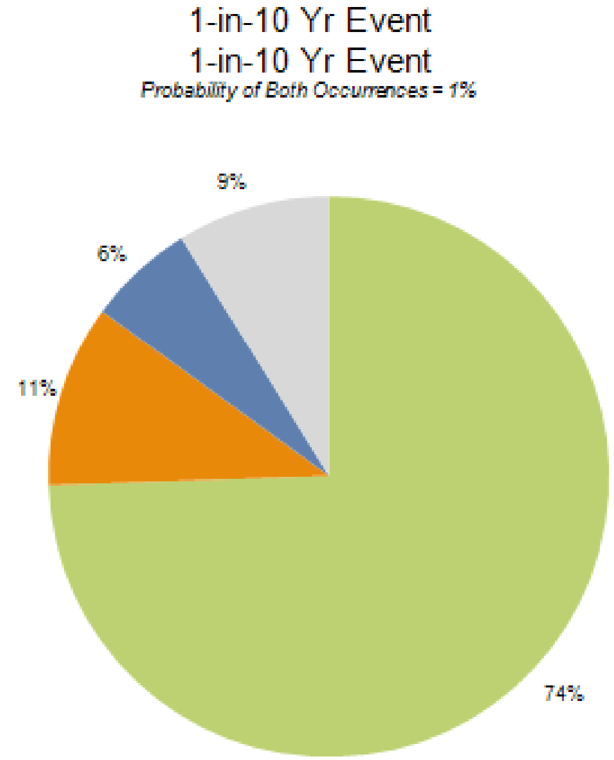
1-in-5 Yr Event / 1-in-10 Yr Event *(in billions)*

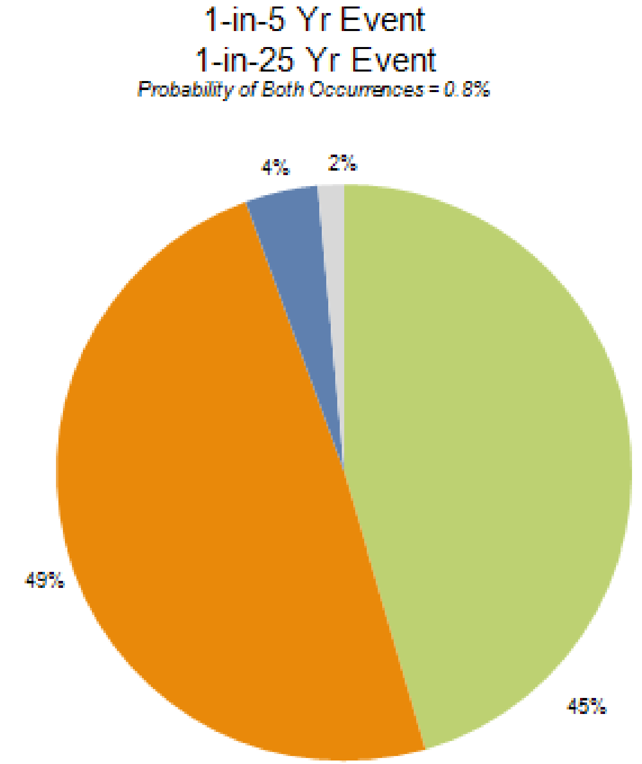
	PLA/CLA	Coastal Account	Total
Probable Maximum Loss (see note below)	$ 1.375	$ 2.884	$ 4.259
Claims-Paying Resources:			
Accumulated Surplus	$ 1.375	$ 2.550	$ 3.925
FHCF Reimbursements	-	0.334	0.334
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	-	-
Regular Assessments	-	-	-
Emergency Assessments	-	-	-
Total	1.375	2.884	4.259

[1] See Notes & Assumptions attached hereto; PML in pie charts includes estimate for LAE

CITIZENS PROPERTY INSURANCE CORPORATION

Projected Claims Paying Resources - Combined Accounts
2011 Hurricane Season[1]





(in billions) — 1-in-10 Yr Event / 1-in-10 Yr Event

	PLA/CLA	Coastal Account	Total
Probable Maximum Loss (see note below)	$ 2.022	$ 4.300	$ 6.322
Claims-Paying Resources:			
Accumulated Surplus	$ 2.022	$ 2.686	$ 4.708
FHCF Reimbursements	-	0.667	0.667
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	0.391	0.391
Regular Assessments	-	0.556	0.556
Emergency Assessments	-	-	-
Total	2.022	4.300	6.322

(in billions) — 1-in-5 Yr Event / 1-in-25 Yr Event

	PLA/CLA	Coastal Account	Total
Probable Maximum Loss (see note below)	$ 3.143	$ 6.395	$ 9.538
Claims-Paying Resources:			
Accumulated Surplus	$ 1.649	$ 2.686	$ 4.335
FHCF Reimbursements	1.495	3.178	4.672
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	0.391	0.391
Regular Assessments	-	0.141	0.141
Emergency Assessments	-	-	-
Total	3.143	6.395	9.538

[1] See Notes & Assumptions; PML in pie charts includes estimate for LAE

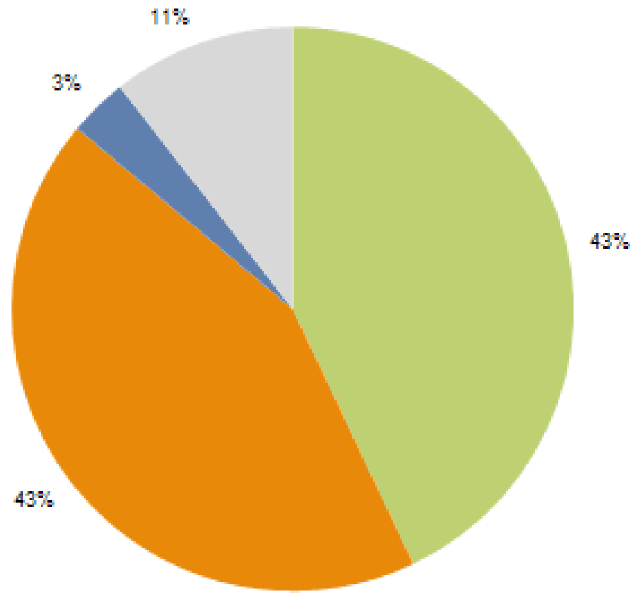
CITIZENS PROPERTY INSURANCE CORPORATION

Projected Claims Paying Resources - Combined Accounts

2011 Hurricane Season[1]

1-in-10 Yr Event
1-in-25 Yr Event

Probability of Both Occurrences = 0.4%

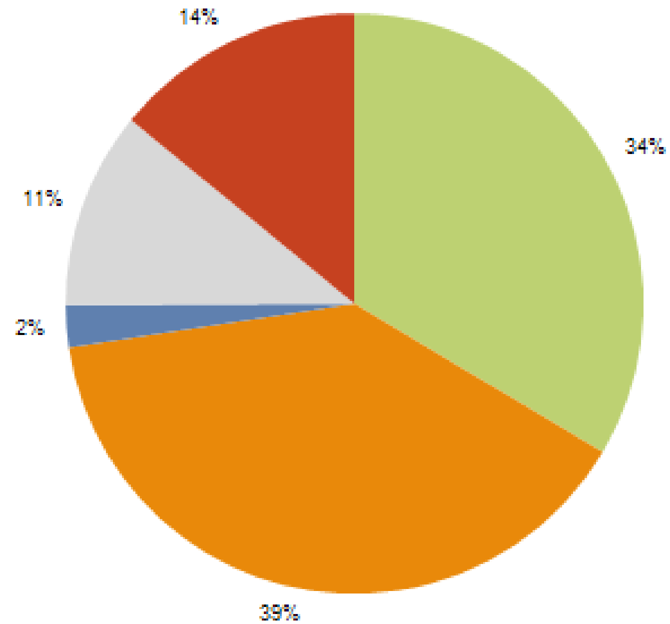


(in billions)

	PLA/CLA	Coastal Account	Total
Probable Maximum Loss (see note below)	$ 3.790	$ 7.811	$ 11.601
Claims-Paying Resources:			
Accumulated Surplus	$ 2.295	$ 2.686	$ 4.982
FHCF Reimbursements	1.495	3.511	5.006
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	0.391	0.391
Regular Assessments	-	1.223	1.223
Emergency Assessments	-	-	-
Total	3.790	7.811	11.601

1-in-25 Yr Event
1-in-25 Yr Event

Probability of Both Occurrences = 0.16%



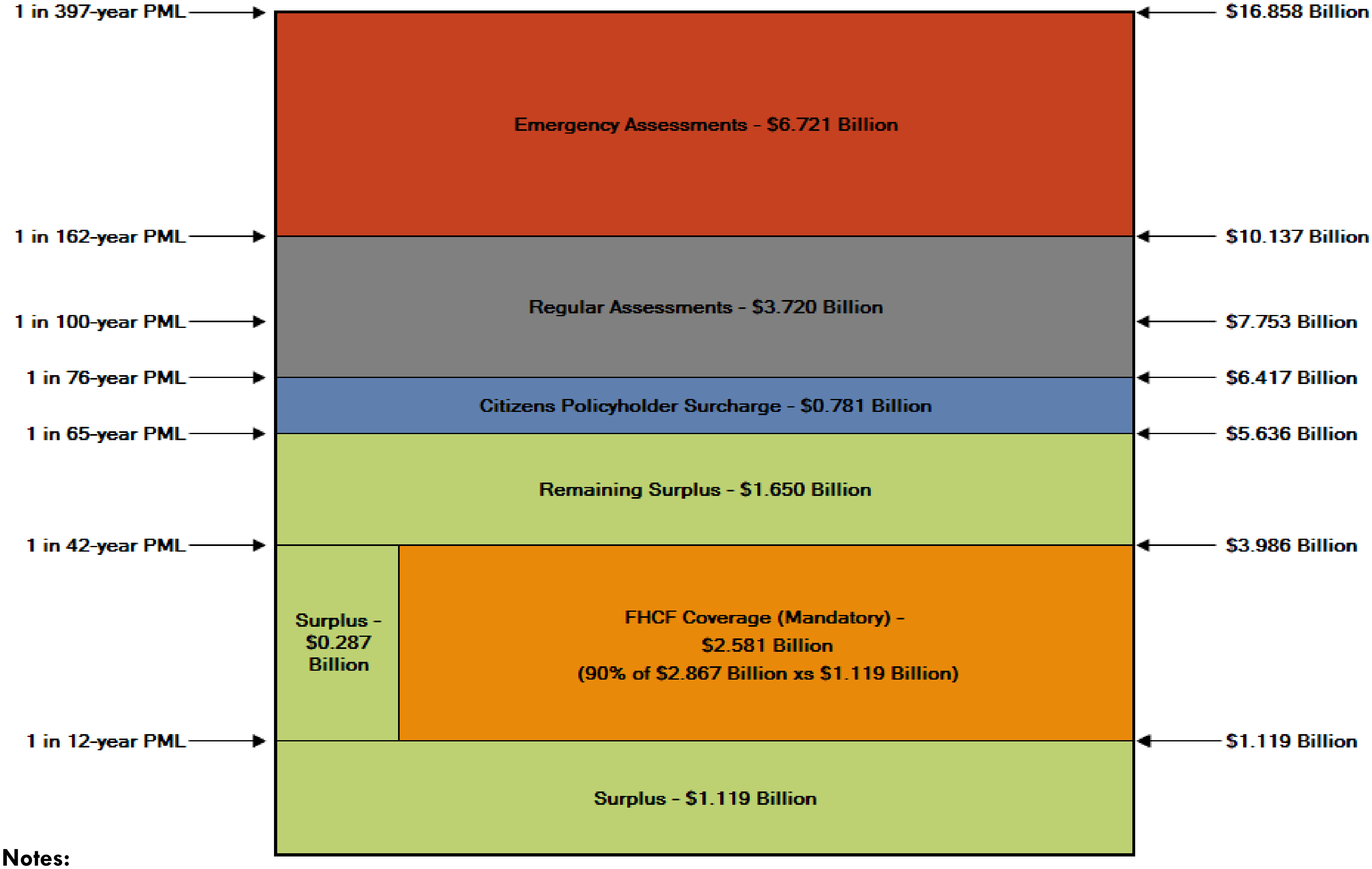
(in billions)

	PLA/CLA	Coastal Account	Total
Probable Maximum Loss (see note below)	$ 5.559	$ 11.322	$ 16.881
Claims-Paying Resources:			
Accumulated Surplus	$ 2.978	$ 2.686	$ 5.664
FHCF Reimbursements	2.581	4.010	6.591
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	0.391	0.391
Regular Assessments	-	1.860	1.860
Emergency Assessments	-	2.376	2.376
Total	5.559	11.322	16.881

[1] See Notes & Assumptions; PML in pie charts includes estimate for LAE

CITIZENS PROPERTY INSURANCE CORPORATION

Projected Layer Chart – Personal Lines/Commercial Lines Accounts 2011 Hurricane Season[4]

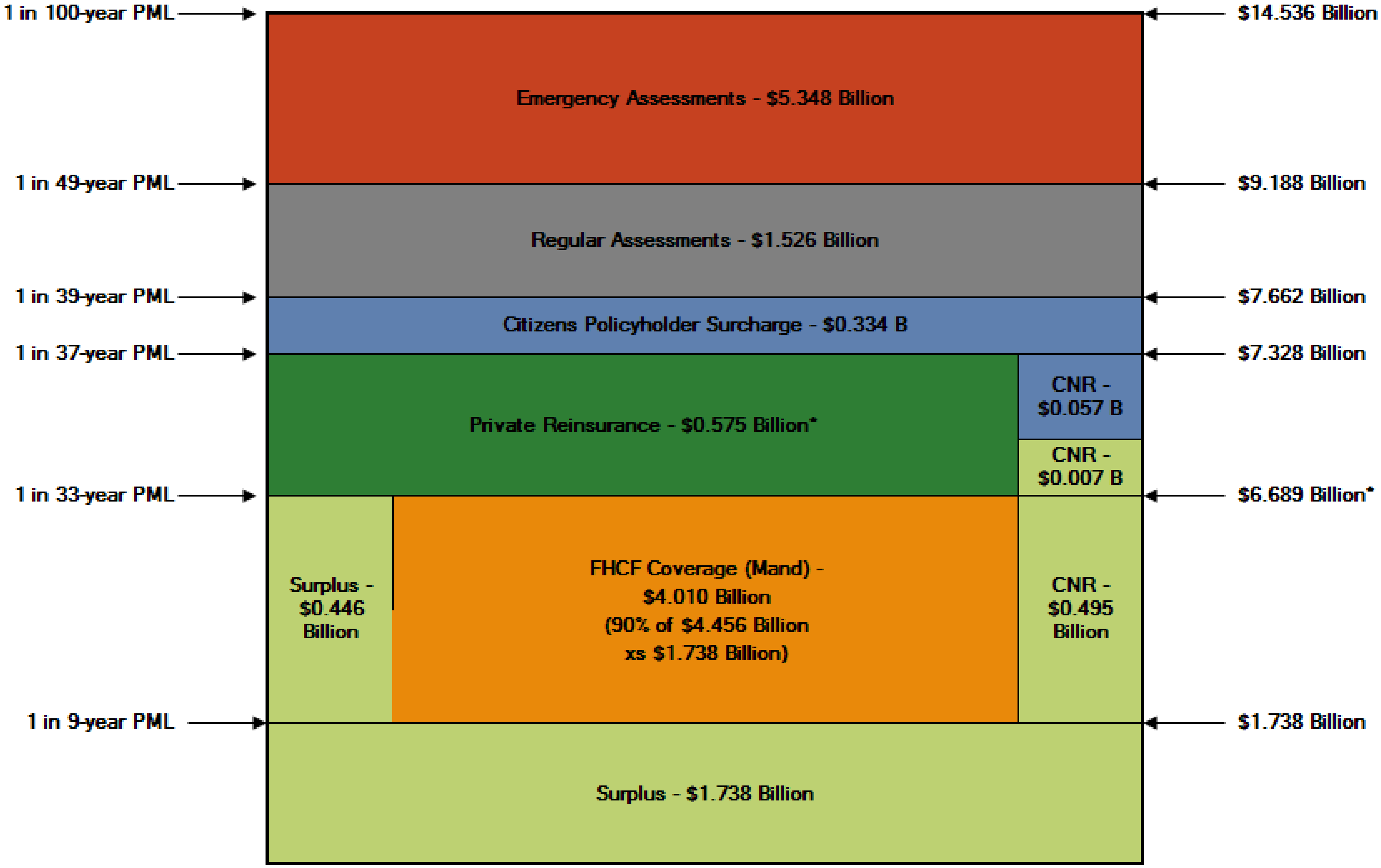


Notes:

1) FHCF coverage is based on preliminary retention and payment multiples. The actual retention and limits may be significantly different from these estimates. This layer chart is not drawn to scale.
2) Modeled PMLs are weighted 1/3rd Long-Term and 2/3rds Near-Term, reflect Single-Event Occurrences and are based on exposures as of December 31, 2010.
3) Emergency Assessments are the maximum annual amount allowed by Florida Statutes (10% per account). However, Emergency Assessments could potentially
4) Refer to additional notes page within Appendix for assumptions. PML in layer charts does not include LAE estimate.

CITIZENS PROPERTY INSURANCE CORPORATION

Projected Layer Chart – Coastal Account
2011 Hurricane Season[4]



Notes:

1) FHCF coverage is based on preliminary retention and payment multiples. The actual retention and limits may be significantly different from these estimates. This layer chart is not drawn to scale.
2) Modeled PMLs are weighted 1/3rd Long-Term and 2/3rds Near-Term, reflect Single-Event Occurrences and are based on exposures as of December 31, 2010.
3) The amount of Emergency Assessments is the amount required to fund projected losses from a 1-in-100 year event. The maximum annual amount of Emergency Assessments is limited by Florida Statutes (10% per account). Emergency Assessments could potentially be recovered over many years.
4) Refer to additional notes page within Appendix for assumptions. PML in layer charts does not include LAE estimate.

* Actual attachment point for private coverage is $6.302 billion and excludes CNR losses. The additional surplus of $387 million ($6.689 billion less $6.302 billion) is available to pay losses on top of FHCF coverage, including CNR losses.

Perspective on Private Reinsurance

- **Florida Statutes require that Citizens *"shall make its best efforts to procure catastrophe reinsurance at reasonable rates, to cover its projected 100-year probable maximum loss as determined by the board of governors."***
- Can reduce the probability and amount of assessments, depending on the path and severity of a 2011 hurricane
- Budget for last several years includes component for private reinsurance
- Plan supported by Board of Governors in Spring 2011 is to be a consistent buyer

Historical Private Market Risk Transfer

- 2005 Hurricane Season: private reinsurance was purchased
- 2006 and 2007 Hurricane Seasons: No private reinsurance purchased
- 2008 hurricane season: private reinsurance purchased for HRA only (excluding commercial non-residential): $446 million of coverage for losses in excess of $1.67 billion
- 2009 and 2010 Hurricane Seasons: No private reinsurance purchased
- 2011 Hurricane Season: private reinsurance purchased for Coastal account only (excluding commercial non-residential): $575 million of coverage for losses in excess of $6.3 billion
  - Met with 31 reinsurers in Bermuda and 21 markets in London
  - Received initial authorizations from 43 reinsurers for coverage of approximately $671 million for losses in excess of $6.3 billion within the Coastal Account
  - Authorizations included thirteen Bermuda reinsurers, sixteen reinsurers from London markets, four from the domestic market, five from the international market and four from the capital markets
  - Capital markets component are fully collateralized

Reinsurers On Citizens' 2011 Program

Market	Reinsurers
Bermuda	Ace Tempest Ltd
	Alterra Bermuda Ltd
	Amlin Bermuda Ltd (o/b/o Amlin Syndicate 2001)
	Arch Re Ltd
	Ariel Reinsurance Company Ltd
	Catlin Insurance Company Ltd
	Montpelier Reinsurance Ltd
	Partner Reinsurance Co Ltd
	Renaissance Re Ltd.
	Tokio Millennium Re Ltd
	Tokio Millennium Re Ltd o/b/o Clariden Leu
	Tokio Millennium Re Ltd o/b/o Leadenhall Capital Partners
	XL Re Ltd
International	Flagstone Reassurance Suisse SA
	Scor Global P&C S.E.
	Hannover Ruckversicherungs AG o/b/o Juniperus Capital
	Sirius International Insurance Corp.
	Taiping Reinsurance Co., Ltd
Capital	Axis Ins Ltd o/b/o Global Credit Reinsurance Ltd/Deutsche Bank
	D.E. Shaw Re Ltd
	Nephila Capital (Poseidon Re Ltd)
	White Rock Ins Co PCC Ltd o/b/o Securis Investment Partners

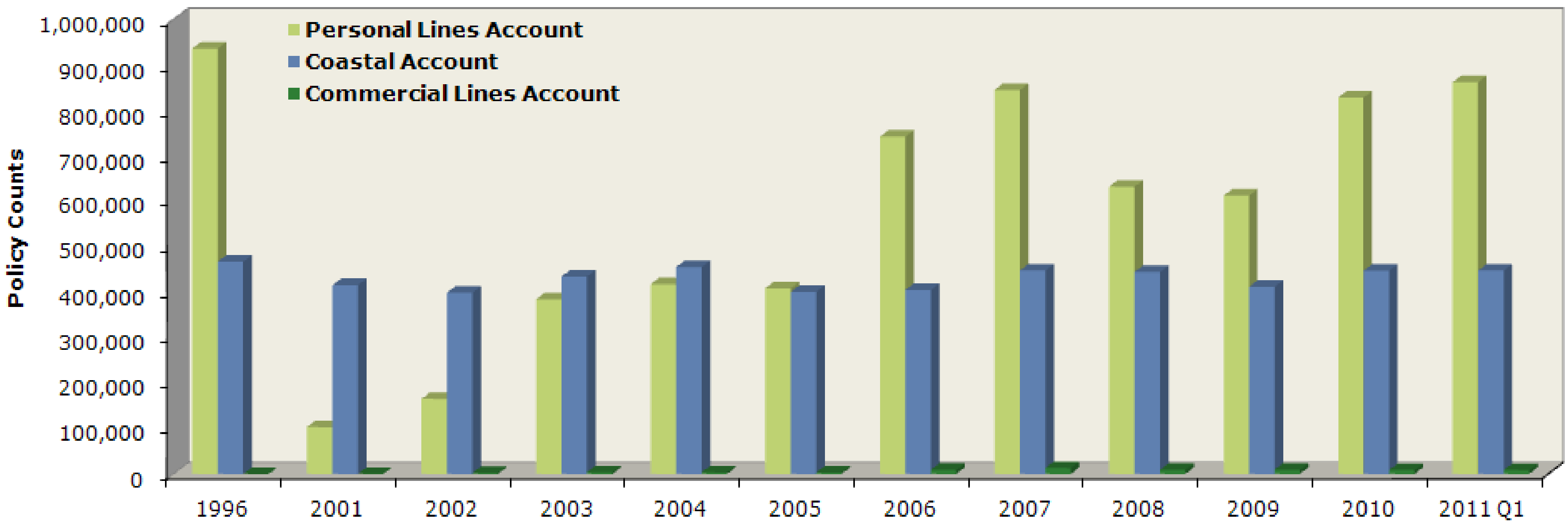
Market	Reinsurers
London	AML (#2001)
	ANT (#1274)
	ARK (#4020)
	ASC (#1414)
	CSL (#1084)
	FDY (#435)
	HIS (#33)
	IRK (#626)
	MAP (#2791)
	NOA (#3902)
	NVA (#2007)
	QBE (#566)
	REN (#1458)
	SAM (#727)
	SDM(#807)
	SJC (#2003)
Domestic	American Standard Insurance Company
	Odyssey America Reinsurance Corporation
	QBE Reinsurance Corporation
	Swiss Re America Corporation

CITIZENS PROPERTY INSURANCE CORPORATION

Options to Reduce Assessments

- **Reduce Citizens exposure/shrink Citizens**
  - Improve the private property insurance market (takeout/keepout)
  - Consider coverage changes
  - Continue to seek rate adequacy
- **Obtain rate adequacy**
  - Provides additional surplus to pay for future cat events
  - Could help to reduce the number of policies coming to Citizens due to price differential
  - For 2012 risks accepted, expect to be undercharging significantly
- **Transfer risk to the private markets**
  - Traditional Reinsurance
  - Alternative Risk Transfer – Cat Bonds

Citizens Policy Counts by Account and Year



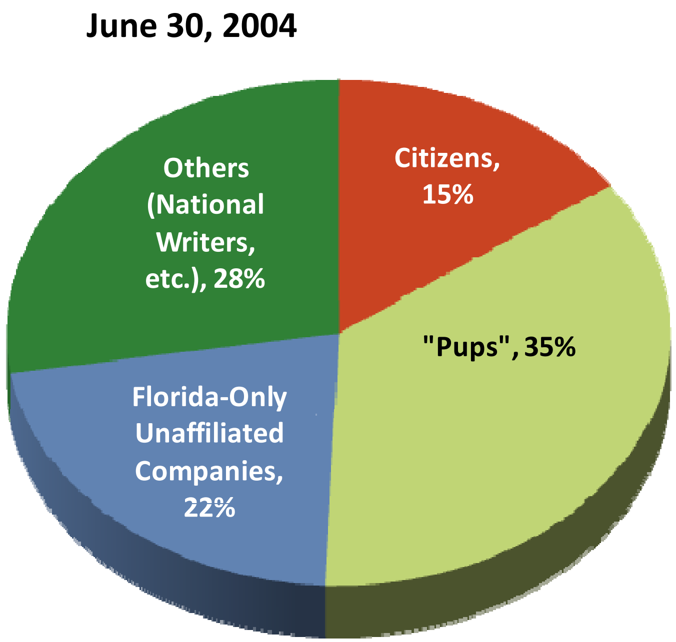
	1996	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 Q1
Personal Lines Account	936,837	102,792	164,274	383,283	416,529	407,387	743,592	845,857	629,467	609,652	829,406	863,038
Coastal Account	465,739	414,123	397,676	433,077	453,755	399,418	403,509	446,181	442,671	410,436	445,679	446,130
Commercial Lines Account	0	198	2,157	3,863	3,702	3,212	8,841	12,911	8,810	9,126	8,453	8,303
Transition Policies [2]	n/a	n/a	n/a	n/a	n/a	n/a	142,980	n/a	n/a	n/a	n/a	n/a
Total	**1,402,576**	**517,113**	**564,107**	**820,223**	**873,986**	**810,017**	**1,298,922**	**1,304,949**	**1,080,948**	**1,029,214**	**1,283,538**	**1,317,471**

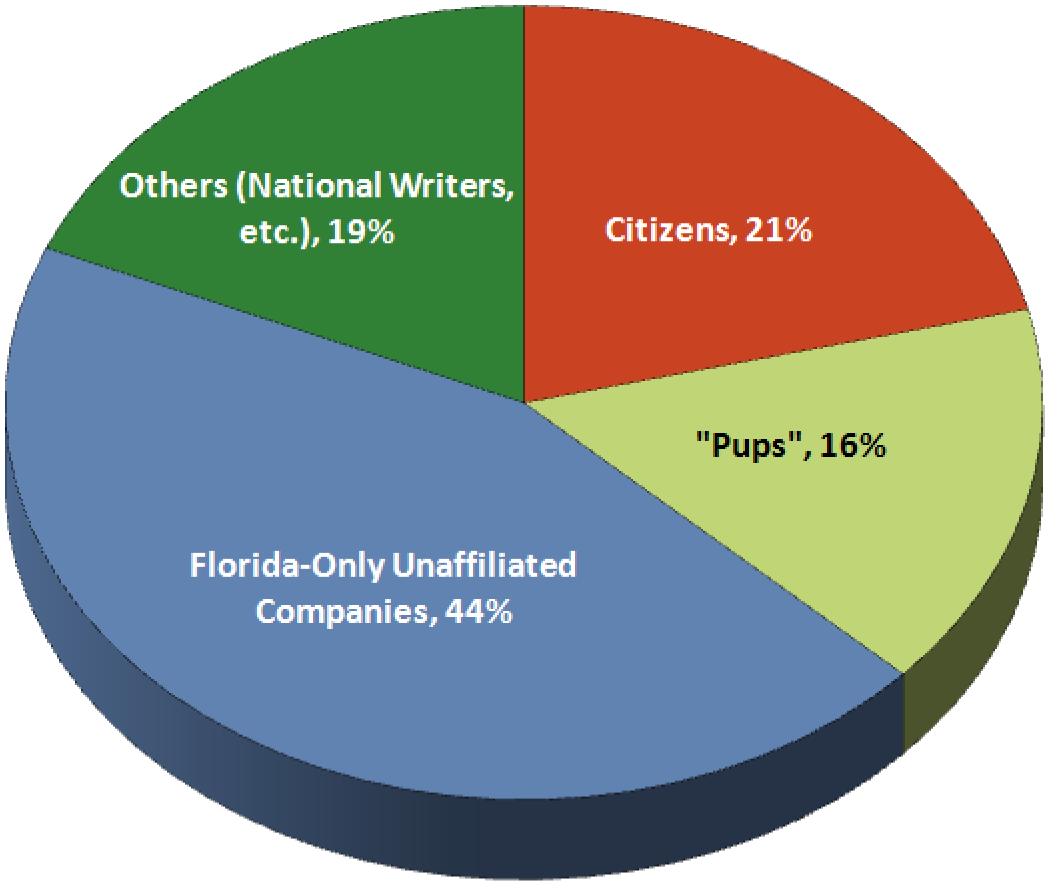
Notes:

1) Excludes takeout policies
2) The transition policies from 2006 are the policies assumed from the Poe Financial Group that remained on the Poe system at the end of that calendar year

CITIZENS PROPERTY INSURANCE CORPORATION

Florida Residential Property Admitted Market Breakdown As of March 31, 2011



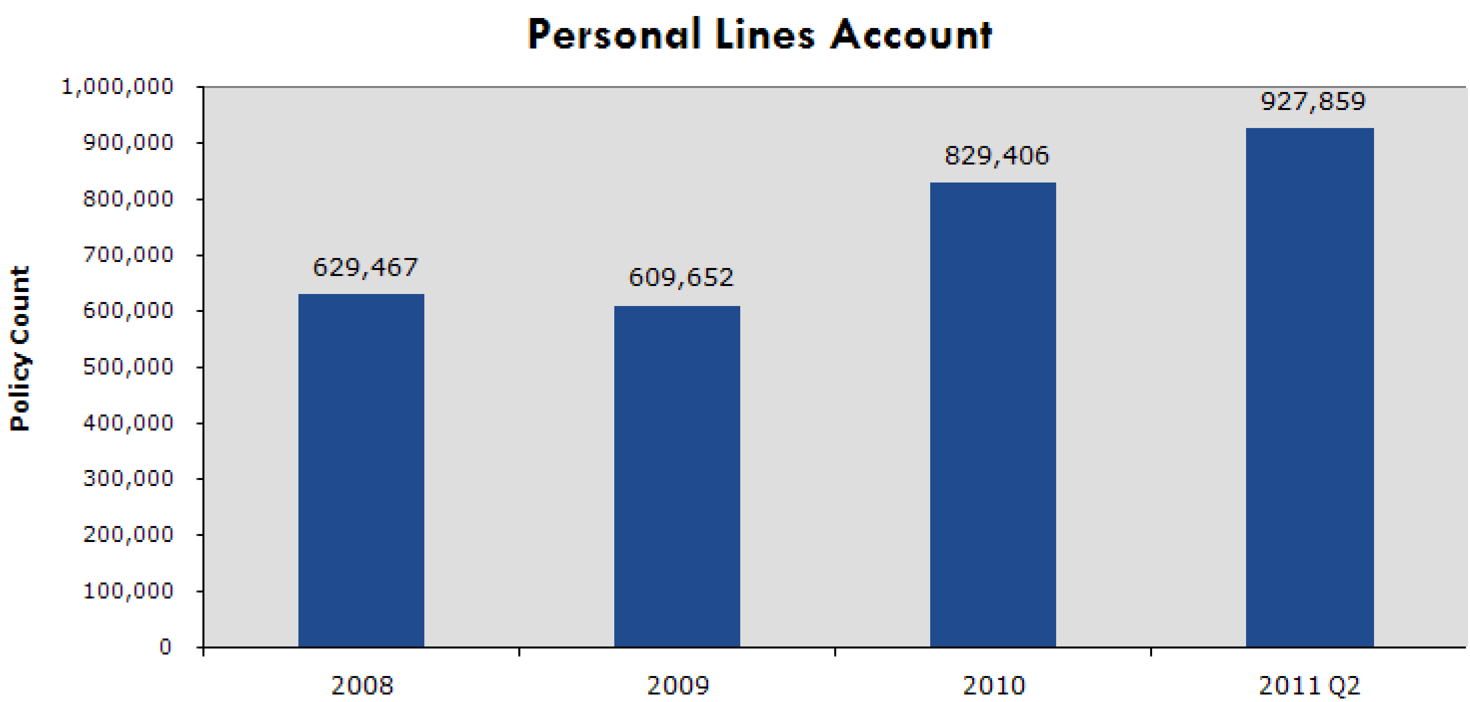


The Florida Residential Property Insurance Admitted Market is divided into 4 major parts: (1) Citizens; (2) the Florida only subsidiaries "pups" of the major national writers; (3) the Florida-only domestic companies; and (4) non-domestic nationwide property writers, such as USAA, etc.

Source: Florida Office of Insurance Regulation, Quarterly Supplemental Report (QUASR). Includes licensed carriers only. Surplus lines companies are not included. Based on insured value for policies with wind coverage.

Market Share

- Coastal Account has over 65% market share
- CLA has approximately 53% market share
- PLA has approximately 20% market share
- PLA is the book of business experiencing significant growth since 1/1/10 and is most ripe for depopulation and keep out programs

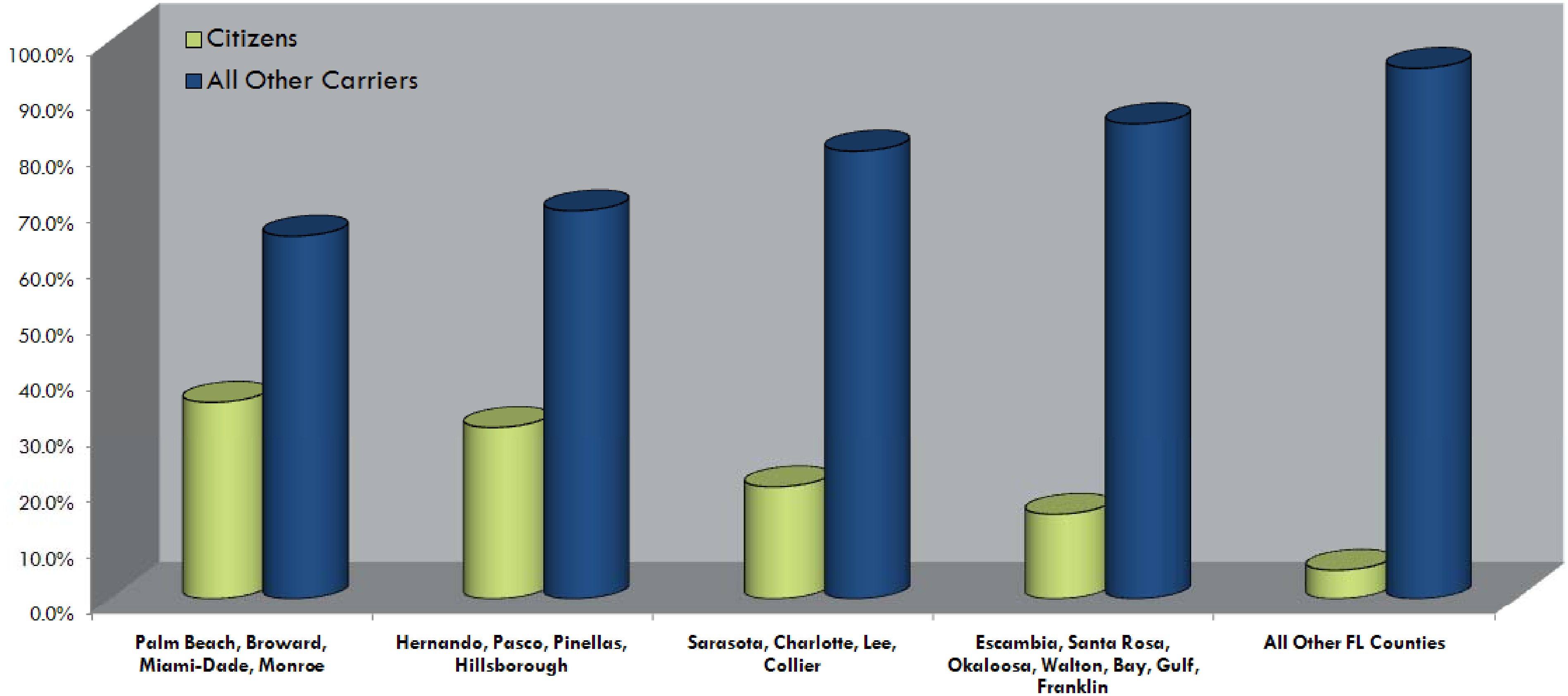


Significant Growth Only in the Personal Lines Account (PLA)

Why do policies come to Citizens?

- Price - Premium is likely lower than private market
- Agents
  - Captive agents
  - Citizens cannot become insolvent
  - Price
- Less stringent underwriting requirements
- Geographic concentration in SE Florida and Sinkhole territories
- Wind Mitigation Credit factor
- Few private companies want to write Commercial Residential policies and/or Coastal properties

Florida Residential Property Market – Citizens vs. All Other Carriers Market Share
As of March 31, 2011



Counties	Total Exposure		Market Share	
	Citizens	All Other Carriers	Citizens	All Other Carriers
Palm Beach, Broward, Miami-Dade, Monroe	$236,585,079,520	$436,751,449,665	35.1%	64.9%
Hernando, Pasco, Pinellas, Hillsborough	$90,848,764,391	$205,749,822,535	30.6%	69.4%
Sarasota, Charlotte, Lee, Collier	$59,856,843,652	$239,914,121,853	20.0%	80.0%
Escambia, Santa Rosa, Okaloosa, Walton, Bay, Gulf, Franklin	$16,969,808,329	$95,513,991,970	15.1%	84.9%
All Other FL Counties	$46,490,519,673	$863,291,345,546	5.1%	94.9%

Source: Florida Office of Insurance Regulation, Quarterly Supplemental Report (QUASR). Includes licensed carriers only. Surplus lines companies are not included. Based on insured value for policies with and without wind coverage.

CITIZENS PROPERTY INSURANCE CORPORATION

Appendix

Projected Claims Paying Resources and Layer Charts
Notes & Assumptions

NOTES - The charts attempt to show total projected claims-paying resources needed for various storm events. However, the charts reflect approximations and are not perfect. Some significant observations are as follows:

- Timing - The charts show estimates of ultimate resources needed, not liquidity needs on a timed basis. An account with sufficient ultimate claims-paying resources could still require liquidity facilities as some resources could potentially be unavailable following a major event.

- Return Times - A loss event for one account will not be the same size event for other accounts. The relative magnitude of an event will depend on the size, severity and path of the storm. Probable Maximum Loss ("PML") estimates are weighted 1/3rd Standard Sea-Surface Temperature (Long-Term) and 2/3^{rds} Warm Sea-Surface Temperature (Near-Term), are based on Single-Event Occurrences. Layer Chart Projections **do not include** any provision for the adjustment of claims (LAE); Projected Claims Paying Resources **do include** a provision of 10% for the adjustment of claims (LAE) . PML estimates were modeled using AIR Clasic/2, Version 12.0.4, including Loss Amplification, excluding Storm Surge, on exposures as of December 31, 2010.

- Account Combination - Each account is accounted for separately as required by Florida Statutes. However, the PLA and the CLA are evaluated together for reinsurance and credit purposes. Therefore, the charts illustrate the effect of the PLA and the CLA aggregated, not combined as one account.

- Commercial Non-Residential Exposure - Commercial Non-Residential ("CNR") exposures in the CLA and the Coastal Account are not reinsured by the Florida Hurricance Catastrophe Fund ("FHCF"). The charts include a provisional estimate for CNR losses in the Coastal Account for all return times (see assumption below). Historically, CNR losses in the CLA have been negligible and therefore a separate provision (for non-reimbursement from the FHCF) is not considered in the

- Projected Surplus - The charts use estimated accumulated surplus determined in accordance with Statutory Accounting Principles ("SAP"). However, actual assessments are based on adjusted surplus determined in accordance with accounting principles generally accepted in the United States of America (GAAP), which varies from SAP.

ASSUMPTIONS:

► Maximum Citizens Policyholder Surcharge Percentage	15% per account
► Projected Regular Assessment Base	$31.00 Billion
► Maximum Regular Assessment Percentage	6% per account
► Projected Emergency Assessment Base	$33.60 Billion
► Maximum Emergency Assessment Percentage	10% per account
► Estimated CNR (Not covered by the FHCF) for the Coastal Account	10% for all event Return Times
► Exposure Measurement Date	December 31, 2010
► Projected Accumulated Surplus	$5.742 billion at December 31, 2011 --> $3.056 billion in the PLA/CLA --> $2.686 billion in the Coastal Account

CITIZENS PROPERTY INSURANCE CORPORATION

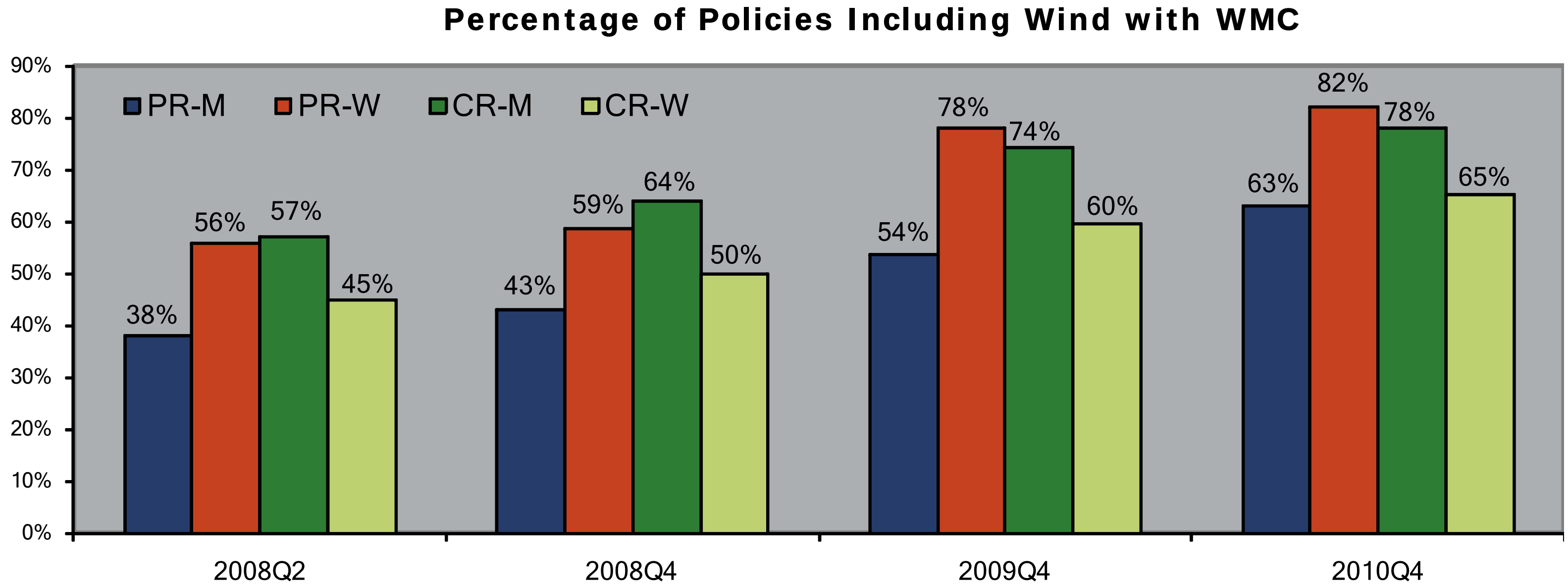
Inspection Program

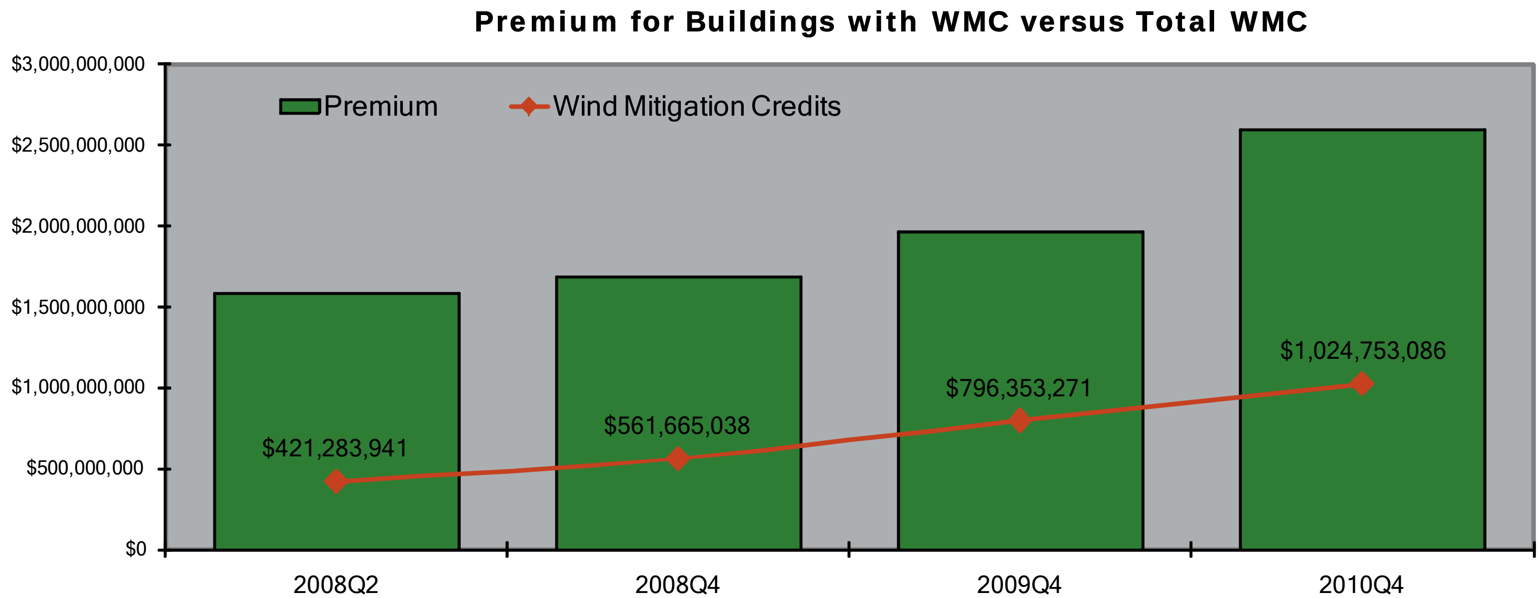
- 32,628 personal residential and commercial lines inspections have been fully processed as of May 31, 2011
  - The estimated increase in premium as a result of these inspections is $15,535,192

- Future plans for the program:
  - Expand the scope to include new business
  - Commercial multiple building inspections
  - Retail inspections
  - Allow for additional inspection types such as four point, general condition, and mobile home tie down

CITIZENS PROPERTY INSURANCE CORPORATION

Wind Mitigation Credits Trend Analysis
As of December 31, 2010

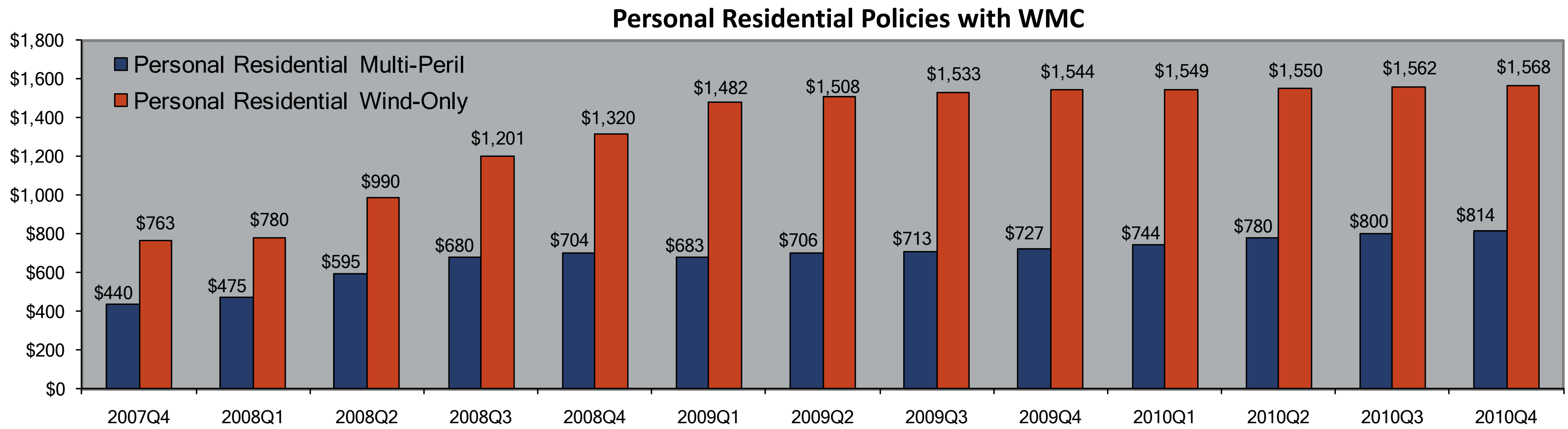


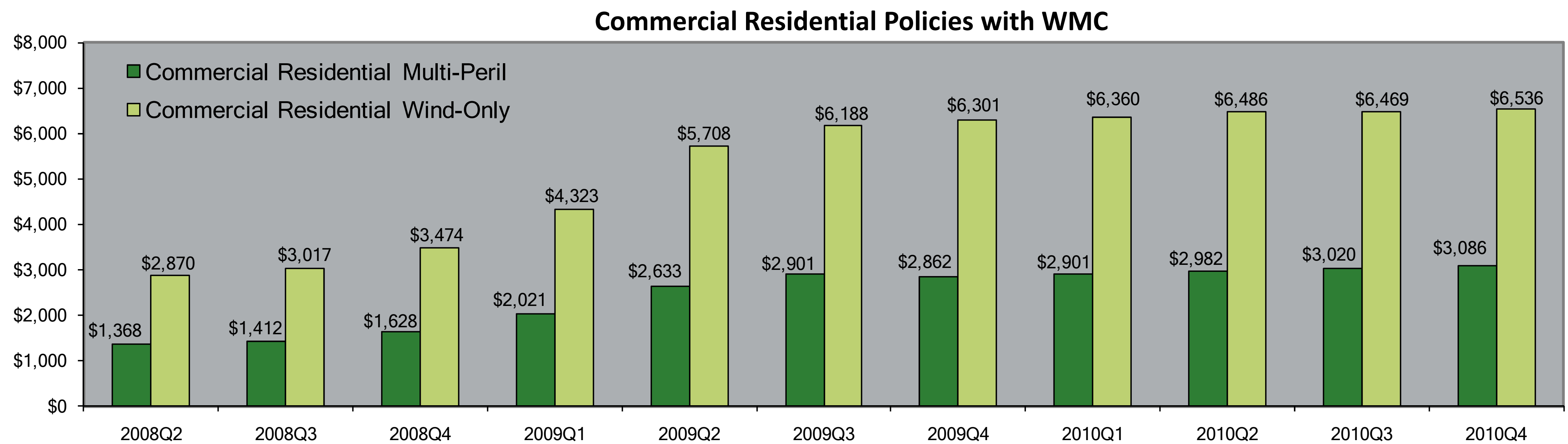


Note: Premium is provided only for those buildings with wind mitigation credits. Premium is calculated as follows:
Premium = Total Premium including Surcharges - Total Surcharges + Total Wind Mitigation Credits.

CITIZENS PROPERTY INSURANCE CORPORATION

Average Wind Mitigation Credits
As of December 31, 2010





CITIZENS PROPERTY INSURANCE CORPORATION

The Florida Senate

Issue Brief 2012-203 *September 2011*

Committee on Banking and Insurance

PERSONAL INJURY PROTECTION (PIP)

Statement of the Issue

Under the state's no-fault law, owners or registrants of motor vehicles are required to purchase $10,000 of personal injury protection (PIP) insurance which compensates persons injured in accidents regardless of fault. In 2007, the Legislature re-enacted and revised the Florida Motor Vehicle No-Fault Law (ss. 627.730-627.7405, F.S.) effective January 1, 2008.

Recently, Florida has experienced an increase in motor vehicle related insurance fraud and the costs associated with PIP coverage. In the 2011 Legislative Session, a number of bills were offered that contained various proposals that sought to address the rising costs in the PIP system. This issue brief outlines the current PIP system, recent trends in PIP fraud, recent trends in PIP costs on a statewide and a regional basis, and relevant legislative proposals offered during the 2011 session.

Discussion

History of the No-fault Law in Florida

In 1971, Florida became the second state in the country to adopt a no-fault automobile insurance plan which took effect January 1, 1972.[1] The no-fault plan was offered as a replacement for the tort reparations system, with the purpose of serving as a means to quickly and efficiently compensate injured parties in auto accidents regardless of fault. The proponents of no-fault insurance promoted it as a more efficient and fair means of providing redress to automobile accident victims. They believed that this system provides compensation in a swifter fashion than the tort system, and that no-fault would lower the cost of insurance, with both benefits being primarily produced by reducing litigation. The principle underlying no-fault automobile insurance laws is a trade-off of one benefit for another, by assuring payment of medical, disability (wage loss) and death benefits, regardless of fault, in return for a limitation on the right to sue for non-economic damages (pain and suffering).

The objectives of the no-fault law were enumerated by the Florida Supreme Court in 1974 in *Lasky v. State Farm Insurance Company*[2]. The Court opined that the no-fault law was intended to:

- assure that persons injured in vehicular accidents would be directly compensated by their own insurer, even if the injured party was at fault, thus avoiding dire financial circumstances with the "possibility of swelling the public relief rolls;"
- lessen court congestion and delays in court calendars by limiting the number of law suits;
- lower automobile insurance premiums; and
- end the inequities of recovery under the traditional tort system.

In the ensuing 40 years, the Legislature has periodically revised the no-fault law, courts have interpreted its key provisions, and various constituent groups have analyzed its impact upon Florida motorists. More recently, in Special Session A of the 2003 Legislative Session, a sunset provision was passed that, effective October 1, 2007, repealed the Motor Vehicle No-Fault Law unless the Legislature re-enacted the law prior to such date. While the sunset provision actually did take effect on October 1, 2007, the Legislature re-enacted the no-fault law, effective

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[1] The Florida Automobile Reparations Reform Act, known generally as the "nofault law," was passed by the Florida Legislature on June 4, 1971, and became law effective January 1, 1972. Chapter 71-252, L.O.F. The legislature amended the name to "The Florida Motor Vehicle No-Fault Law" in 1982. Chapter 82-243. L.O.F.

[2] *Lasky v. State Farm Ins. Co.*, 296 So.2d 9, 14 (Fla. 1974).

January 1, 2008, with several changes (including use of fee schedules for some services) designed to help control medical costs.

Current Provisions of Florida's No-fault Law

Under the state's no-fault law, owners or registrants of motor vehicles are required to purchase $10,000 of personal injury protection (PIP) insurance which compensates persons injured in accidents regardless of fault. Policyholders are indemnified by their own insurer. The intent of no-fault insurance is to provide prompt medical treatment without regard to fault. This coverage also provides policyholders with immunity from liability for economic damages up to the policy limits and limits tort suits for non-economic damages (pain and suffering) below a specified injury threshold. In contrast, under a tort liability system, the negligent party is responsible for damages caused and an accident victim can sue the at-fault driver to recover economic and noneconomic damages.

Florida drivers are required to purchase both personal injury protection (PIP) and property damage liability (PD) insurance. The personal injury protection must provide a minimum benefit of $10,000 for bodily injury to any one person and $20,000 for bodily injuries to two or more people. Personal injury protection coverage provides reimbursement for 80 percent of reasonable medical expenses, 60 percent of loss of income and 100 percent of replacement services, for bodily injury sustained in a motor vehicle accident, without regard to fault. The property damage liability coverage must provide a $10,000 minimum benefit. A $5,000 death benefit is also provided.

When the Legislature re-enacted and revised the Florida Motor Vehicle No-Fault Law in 2007,[3] the re-enactment maintained personal injury protection (PIP) coverage at 80 percent of medical expenses up to $10,000. However, benefits are limited to services and care lawfully provided, supervised, ordered or prescribed by a licensed physician, osteopath, chiropractor or dentist; or provided by:

- A hospital or ambulatory surgical center;
- An ambulance or emergency medical technician that provided emergency transportation or treatment;
- An entity wholly owned by physicians, osteopaths, chiropractors, dentists, or such practitioners and their spouse, parent, child or sibling;
- An entity wholly owned by a hospital or hospitals; or
- Licensed health care clinics that are accredited by a specified accrediting organization.

Medical Fee Limits for PIP Reimbursement

Section 627.736(6), Florida Statutes, authorizes insurers to limit reimbursement for benefits payable from PIP coverage to 80 percent of the following schedule of maximum charges:

- For emergency transport and treatment (ambulance and emergency medical technicians), 200 percent of Medicare;
- For emergency services and care provided by a hospital, 75 percent of the hospital's usual and customary charges;
- For emergency services and care and related hospital inpatient services rendered by a physician or dentist, the usual and customary charges in the community;
- For hospital inpatient services, 200 percent of Medicare Part A;
- For hospital outpatient services, 200 percent of Medicare Part A;
- For all other medical services, supplies, and care, 200 percent of Medicare Part B; and,
- For medical care not reimbursable under Medicare, 80 percent of the workers' compensation fee schedule. If the medical care is not reimbursable under either Medicare or workers' compensation then the insurer is not required to provide reimbursement.

The insurer may not apply any utilization limits that apply under Medicare or workers' compensation. Also, the insurer must reimburse any health care provider rendering services under the scope of his or her license, regardless of any restriction under Medicare that restricts payments to certain types of health care providers for specified procedures. Medical providers are not allowed to bill the insured for any excess amount when an insurer

[3] Sections 627.730-627.7405, F.S., effective January 1, 2008.

limits payment as authorized in the fee schedule, except for amounts that are not covered due to the PIP co-insurance amount (the 20 percent co-payment) or for amounts that exceed maximum policy limits.

Motor Vehicle Insurance Fraud

Motor vehicle insurance fraud is a long-standing problem in Florida. In November 2005, the Senate Banking and Insurance Committee produced a report entitled *Florida's Motor Vehicle No-Fault Law*, which was a comprehensive review of Florida's No-Fault system. The report noted that fraud was at an "all-time" high at the time, noting that there were 3,942 PIP fraud referrals received by the Division of Insurance Fraud (Division)[4] during the three fiscal years beginning in 2002 and ending in 2005.

More recently, the Division has reported even greater increases in the number of PIP fraud referrals, which have increased from 3,151 during fiscal year 2007/2008 to 5,543 in fiscal year 2009/2010. As a significant subset of the overall fraud referrals, the number of staged motor vehicle accidents received by the Division nearly doubled from fiscal year 2008/2009 (776) to fiscal year 2009/2010 (1,461). Florida led the nation in staged motor vehicle accident "questionable claims"[5] from 2007-2009, according to the National Insurance Crime Bureau (NICB).[6]

Representatives from the Division have identified the following factors as contributing to the magnitude of Florida's motor vehicle insurance fraud problem:

- Ease of health care clinic ownership.
- Solicitation of patients by certain unscrupulous medical providers, attorneys, and medical and legal referral services. Litigation over de minimis PIP disputes.
- The inability of local law enforcement agencies to actively pursue the large amount of motor vehicle fraud currently occurring.

OIR Personal Injury Protection Data Call

On April 11, 2011, the Office of Insurance Regulation (OIR) issued its *Report on Review of the 2011 Personal Injury Protection Data Call*.[7] In describing the scope of its Data Call, OIR stated:

> Thirty-one companies participated in the Data Call, which covered a scope period from 2006-2010. Twenty -five of those companies represent 80.1% of the market place based on 2009 Total Private Passenger Auto No-Fault Premiums reported to the NAIC. The claim data is based on the date the claim was opened or recorded on the company's system. Closed Claim data is based on the date the claim was closed regardless of when it was opened or recorded.
>
> The data submitted was checked for data integrity, however, the information in this report is based upon the information as received and no audit of the data has been performed.

OIR collected and compiled the data on both a statewide and a regional level basis. Additionally, OIR obtained data from Mitchell International, Inc. ("Mitchell"), which it described as follows:

> As a provider of Property & Casualty claims technology solutions, Mitchell International, Inc. ("Mitchell") processes over 50 million transactions annually for over 300 insurance companies. Mitchell has at least 62 customers in the auto insurance market that utilize their medical claims software, DecisionPoint. Mitchell supplied data to the Office which provided a high level review of national trends and the experience here in Florida. The results show that Florida is above the national average in many instances, including provider charges per claim and the average number of procedures per claim.

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[4] The Division of Insurance Fraud is the law enforcement arm of the Department of Financial Services.

[5] The NICB defines a "questionable claim" as one in which indications of behavior associated with staged accidents are present. Such claims are not necessarily verified instances of insurance fraud.

[6] The National Insurance Crime Bureau is a not-for-profit organization that receives report from approximately 1,000 property and casualty insurance companies. The NICB's self-stated mission is to partner with insurers and law enforcement agencies.

[7] A full copy of the report can be obtained from http://www.floir.com/siteDocuments/PIP_04-08-2011.pdf, last visited on August 11, 2011.

Accordingly, the OIR report contains compilations of data on a national basis, a Florida statewide basis, and on a regional basis. Some of the significant trend comparisons revealed by the report are as follows:

Statewide Data

- The number of licensed drivers in Florida has remained relatively constant between 2004 and 2011, and actually decreased by 0.5% from January 1, 2008 and January 1, 2011.
- The number of crashes in Florida decreased by 8% between 2007 and 2009, and the number of crashes with injuries decreased by 7.3% between 2007 and 2009.
- Notwithstanding the decreasing trend in the number of drivers, the number of crashes, and the number of injuries, the number of PIP claims that were opened in Florida increased by 35.7% from 2008 to 2010.
- Total PIP payments made by insurers increased by 70% between calendar years 2008 and 2010.
- The number of PIP claims that were closed with payment increased by 59.4% between calendar years 2008 and 2010.
- The number of PIP-related lawsuits that were settled increased by 153.3% between calendar years 2008 and 2010.

Regional Data

- In 2010, twenty-seven percent of the state's licensed drivers were in South Florida, while 55% of the state's PIP benefits were paid in South Florida.
- While the percentage of total claims opened in a particular region remained relatively constant for all regions for the period 2006 to 2008, the percentage increase in the number of claims opened by region for the period 2008 to 2010 was: South Florida 55%; Tampa, St. Pete 33%; Southwest Florida 31%; Central Florida 23%; Northeast Florida 15%.
- The number of total PIP payments also remained relatively constant for all regions for the period 2006 to 2008, but the percentage increase in total PIP payments by region for the period 2008 to 2010 was: South Florida 88%; Tampa, St. Pete 55%; Southwest Florida 41%; Central Florida 28%; Northeast Florida 13%.

Florida Compared to National Data

- In 2010, the average number of provider procedures per claim in Florida was 101.7, while the national average (without Florida) was only 47. The average number of procedures per claim in Florida increased from 67.3 in 2007 to its current 2010 level of 101.7.
- In 2010, the average level of provider charges per claim in Florida was $12,539, while the national average (without Florida) was only $8,022.

Affordability/PIP Premium Increases

The premiums that an automobile insurance carrier is authorized to charge are governed under s. 627.0651, F.S., which specifies that OIR must consider "[p]ast and prospective loss experience" when establishing a carrier's authorized rates. Accordingly, as the claim costs for PIP continue to rise, those increases will necessarily drive a corresponding increase in the premiums that must be paid by Florida's insurance consumers. Not surprisingly, then, recent premium trends are following the same pattern of increase as the claim costs.

At the August 16, 2011, Cabinet meeting, Insurance Commissioner Kevin McCarty presented rate increase data for the top 5 automobile insurance insurers. The 5 insurers represented 42.5% of the automobile insurance market, and the data presented the amount of rate increase that had been implemented from January 1, 2009 and August 1, 2011. Over this nineteen month period, the 5 insurers implemented respective average PIP increases of: State Farm Mutual Automobile Insurance Company 49.7%; GEICO General Insurance Company 72.2%; Progressive American Insurance Company 63.0%; Progressive Select Insurance Company 48.5%; Allstate Insurance Company 35.1%.

Representatives of OIR anticipate this trend will continue under the current circumstances.

2011 Proposed Legislation

During the 2011 Legislative Session, proposals seeking to address some of the elements raised in this brief were discussed and debated as the subject of several bills that did not pass.[8] Some of the proposals went through more than one iteration and were contained in more than one bill, covering major topics that include:

1. Limiting the plaintiff's attorney fees in a no-fault dispute to the lesser of $10,000 or three times the amount recovered, with a class action limit of the lesser of $50,000 or three times the recovery.

   Proponents of this provision argue that often an award of attorney fees can be excessive, even when the actual damage suffered by the PIP plaintiff is nominal, thus defying the central purpose of a no-fault system that was designed to be self-effecting in order to avoid high legal costs associated with an at-fault system. Opponents argue that often the only way for a plaintiff to obtain legal representation to sue an intransigent insurer is to allow full recovery of the plaintiff's legal fees.

2. Prohibiting the use of a contingency risk multiplier to calculate the attorney's fees recovered under the no-fault law.

   Proponents of this provision argue that the purpose of a contingency risk multiplier is to encourage an attorney to be willing to take a high risk case of particular complexity, but the multiplier is often awarded in simple PIP claims of nominal levels -- circumstances that do not reflect the intent of using a multiplier. Opponents argue that PIP claims often involve very complex issues, in spite of the low claim value, and that courts seldom apply the multiplier under current law.

3. Authorizing insurers to provide a premium discount to an insured that selects a policy that reimburses medical benefits from a preferred provider, and with the provision that the insured forfeits the premium discount upon using a non-network provider for non-emergency services if there are qualified network providers within 15 miles of the insured's residence. Current law authorizes insurers to contract with licensed health care providers to provide PIP benefits and offer insureds insurance policies containing a "preferred provider" (PPO) option, but if the insured uses an "out-of-network" provider the insurer must tender reimbursement for such medical benefits as required by the No-Fault Law.

   Proponents of this provision argue that this would allow the consumer to choose whether to buy a less expensive product that has some restriction on the provider network that is available after an accident, or to buy a more expensive product that has no provider restriction after an accident. Opponents argue that consumers could be induced by low premiums to buy a product that would not meet their medical needs after an accident.

4. Authorizing insurers to offer motor vehicle insurance policies that allow the insurer or claimant to demand arbitration of claims disputes over PIP benefits.

   Proponents of this provision argue that this would allow for a more expeditious and inexpensive process for the resolution of PIP disputes. Opponents argue that often the controversy in question is of a legal nature, which does not lend itself to proper resolution through the arbitration process.

5. Revising several provisions related to demand letters:
   - The claimant filing suit must submit the demand letter.
   - A demand letter that does not meet the statutory requirements is defective.
   - A demand letter cannot be used to request record production from the insurer.
   - If the insurer pays in response to a demand letter and the claimant disputes the amount paid, the claimant must send a second demand letter stating the exact amount the claimant believes the insurer owes and why the amount paid is incorrect.

[8] *See:* SB 1694 by Senator Richter; SB 1930 by Senator Bogdanoff; HB 967 by Representatives Horner and Boyd; and HB 1411 by Representative Boyd.

Proponents of these provisions argue that requiring greater specificity to perfect a demand letter would better able insurers to obtain the level of detail necessary to make an informed decision on whether to dispute the claim. Opponents argue that this is unnecessary because an insurer can refuse to pay a demand when a demand letter does not justify payment, requiring the claimant to sue, whereby the insurer would be able to obtain detailed information through discovery.

6. Requiring the insured and any medical provider that accepts an assignment of no-fault benefits from the insured to comply with all terms of the policy, including submitting to an examination under oath (EUO).

   Medical providers and insurers dispute whether a medical provider who has accepted an assignment of benefits may be required by the insurer to submit to an examination under oath. The Fifth District Court of Appeals ruled in *Shaw v. State Farm Fire and Cas. Co.*,[9] that a medical provider who was assigned PIP benefits by its insured was not required to submit to an EUO. Proponents argue that often only the medical provider has the expertise to answer the questions necessary to determine whether the full amount of a claim should be paid, and when the provider is assigned benefits, that provider should be required to adhere to the contractual obligation to submit to an EUO. Opponents argue that the information necessary to determine payment is already available to the insurer through medical documentation, and that this provision, as proposed, could be abused by insurers to harass and unduly encroach on the time that a provider could be spending to treat patients.

7. Clarifying that the Medicare fee schedule in effect of January 1 of a given year will be the schedule that controls throughout that year for determining the proper PIP fee schedule to be applied for an accident that occurs during that calendar year.

   Currently, Section 627.736(5), Florida Statutes, authorizes insurers to limit reimbursement for benefits payable from PIP coverage to a specified percentage of the Medicare schedule, with variations depending on the specific medical service rendered. The payments cannot go below the 2007 Medicare levels, but the payments are to reflect any increases that have been made to the 2007 Medicare levels. Insurers state that because Medicare changes its schedule periodically throughout the year, there is often confusion as to the proper Medicare fee schedule to apply, resulting in unintended disputes over minor differences. Proponents believe this confusion will be relieved by tying the PIP payment to the Medicare fee schedule in effect as of January 1 of a given year (not to go below the 2007 Medicare schedule).

8. Prohibiting a claimant from recovering PIP benefits if the claimant submits a false or misleading statement, document, record, bill or information or otherwise commits or attempts to commit a fraudulent insurance act.

   Insurers believe this provision would be a significant deterrent to claimants who otherwise might contemplate submitting false or misleading information. Opponents are concerned about the possibility of extreme consequences when the claimant unintentionally submits questionable information.

9. Increasing the civil penalties (fines) that can be levied on perpetrators of insurance fraud, and requiring suspension of an occupational license or a health care practitioner license for any person convicted of insurance fraud.

   Proponents argue that these provisions will be a further deterrent to individuals who otherwise contemplate committing acts of insurance fraud. Opponents have expressed some concern over the implementation of some of the provisions that were proposed.

10. Creating a rebuttable presumption that the injured party’s failure to appear for a mental or physical examination was unreasonable.

[9] *Shaw v. State Farm Fire and Casualty Company*, 37 So.3d 329 (Fla. 5th DCA 2010).

Insurers have complained that they are often stymied by claimants' continued failure to appear for the examination that the insurer must conduct to determine whether they dispute the claim in question. Opponents fear that, unless qualified, this provision could be abused by insurers to establish an inconvenient time that the claimant would not be able to attend.

11. Authorizing an insurer to conduct an on-site physical review and examination of the treatment location.

    Proponents of this provision argue that this would allow an insurer to ascertain that a clinic or other treatment facility actually possessed the equipment (MRI, X-ray, etc.) necessary to perform the testing and treatment being claimed, and to expose sham facilities. Opponents fear that this provision, unless qualified, could be abused by an insurer to intimidate or inconvenience legitimate operations.

12. Prohibiting a claimant from filing a lawsuit until the claimant complies with the insurer's investigation.

    Proponents of this provision argue that this provision would help to resolve those cases where there ultimately is no dispute, before expensive litigation costs are added into the equation. Opponents believe this provision would be abused by some insurers to draw out the process and avoid paying legitimate claims.

THE FLORIDA SENATE

No-Fault Automobile Insurance

Personal Injury Protection

Issue Brief 2012-203

Required Motor Vehicle Coverage

- **Property Damage Liability**
  - Liability Coverage – Pays for damage caused by the policyholder to another person's property (including other vehicles)
  - $10,000 in coverage required.
    - Drivers convicted of DUI, certain traffic violations, who cannot pay for accident damages, or are uninsured have additional financial responsibility requirements.

Required Motor Vehicle Coverage

- Personal Injury Protection (PIP)
  - Provides medical, disability and death benefits.
  - No-Fault coverage: The policyholder's insurer provides PIP benefits to the policyholder, policyholder's family, and passengers without PIP coverage, regardless of whether the policyholder is at fault.
  - $10,000 in coverage for single person/ $20,000 in coverage for multiple persons.

Personal Injury Protection Benefits

- PIP benefits:
  - Medical Treatment (Reimbursed at 80%)
  - Lost Wages (Reimbursed at 60%)
  - Replacement Services (Reimbursed at 100%)
  - Death Benefit (Up to $5,000)

Purposes of the No-Fault System

- Quickly and efficiently compensate injured parties regardless of fault.
- Trade off: No-fault assures payment of medical, disability (wage loss), and death benefits regardless of fault in return for a limitation on the right to sue for non-economic (pain and suffering) damages.
  - Prevent financial hardship.
- Lower auto insurance premiums.
- Lessen court congestion.

Non-Mandatory Motor Vehicle Coverage

- **Bodily Injury (BI)**
  - Liability coverage that pays benefits when the policyholder is liable for physical injuries to others that result in death or serious or permanent injuries.
  - Drivers without BI are personally liable for injuries they cause to others and for such damages in excess of the BI policy limits.
  - Not mandated in Florida, but usually is mandated in states without a No-Fault system.

Non-Mandatory Motor Vehicle Coverage

- Collision
  - Provides benefits to repair or replace the policyholder's vehicle when damaged in a collision. Pays benefits regardless of fault.
- Comprehensive
  - Provides benefits to repair or replace the policyholder's vehicle when damaged by an incident other than a collision.
    - Fire, weather events, theft, vandalism, falling objects, or hitting an animal.

Non-Mandatory Motor Vehicle Coverage

- **Uninsured/Underinsured Motorist**
  - **Provides medical expense and lost wage benefits to the policyholder for bodily injuries to the policyholder, policyholder's family, and passengers caused by another driver.**
  - **UM coverage applies when the at-fault party:**
    - **Has no liability (BI) insurance.**
    - **Has inadequate liability (BI) insurance.**
    - **Is a "hit-and-run" driver whose identity is unknown.**

January 2008 PIP Re-enactment & Reforms

- Fee Schedule
  - Hospital Emergency Services:
    - Usual and Customary charges
  - Emergency transport and treatment
  - Hospital Inpatient & Outpatient Services
    - 200% Medicare Part A
  - Other medical services, supplies, and care
    - 200% of Medicare Part B
      - If not reimbursable under Medicare, then 80% of the Worker's Compensation fee schedule.
  - Utilization limits prohibited

PIP Re-enactment & Reforms

- Medical Providers Eligible for Reimbursement
  - Licensed physicians, osteopaths, chiropractors, or dentists
    - Entities wholly owned by such practitioners
  - Licensed hospitals
    - Entities wholly owned by hospitals
  - Licensed ambulatory surgical centers
  - Licensed emergency medical transporters
  - Licensed health care clinics

PIP Re-enactment & Reforms

- **Demand Letter**
  - **Increased from 15 to 30 days the time an insurer has to pay a claim after a demand letter for late payment of claim.**
  - **The claimant may not file suit or collect attorney's fees until after the 30-day period.**
- **$5,000 in PIP benefits reserved for physicians, osteopaths, and dentists that provide emergency treatment.**

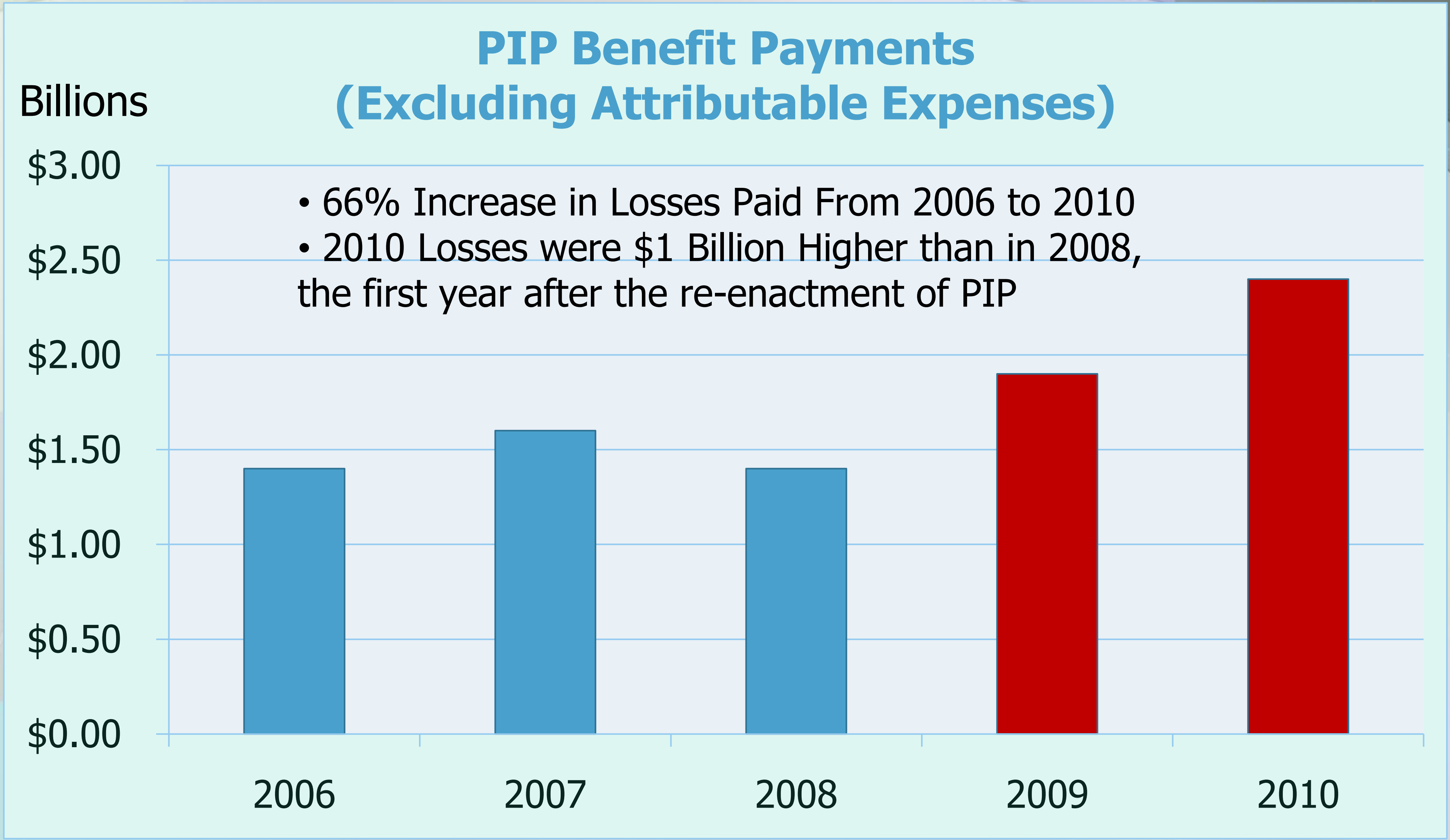
Post 2008 Re-enactment Rate Changes

PIP rates have rapidly increased since the 2008 re-enactment

Coverage	State Farm Mutual	GEICO General	Progressive American	Progressive Select	Allstate Insurance
PIP	**49.7%**	**72.2%**	**63.0%**	**48.5%**	**35.1%**
PD	40.0%	-6.0%	-4.2%	2.3%	29.6%
BI	40.0%	40.0%	33.0%	36.0%	46.3%
UM	52.4%	-3.3%	48.7%	67.8%	-7.4%
Med Pay	-3.8%	-1.9%	-1.7%	-0.2%	23.1%
Collision	-15.9%	-22.1%	-19.8%	-12.4%	-24.7%
Comp	-7.2%	-18.0%	-29.5%	-16.6%	-26.3%
Total Change	26%	14%	19%	19.8%	11.5%

Rate Increases from 1/1/09 to 8/1/11
Source: Office of Insurance Regulation

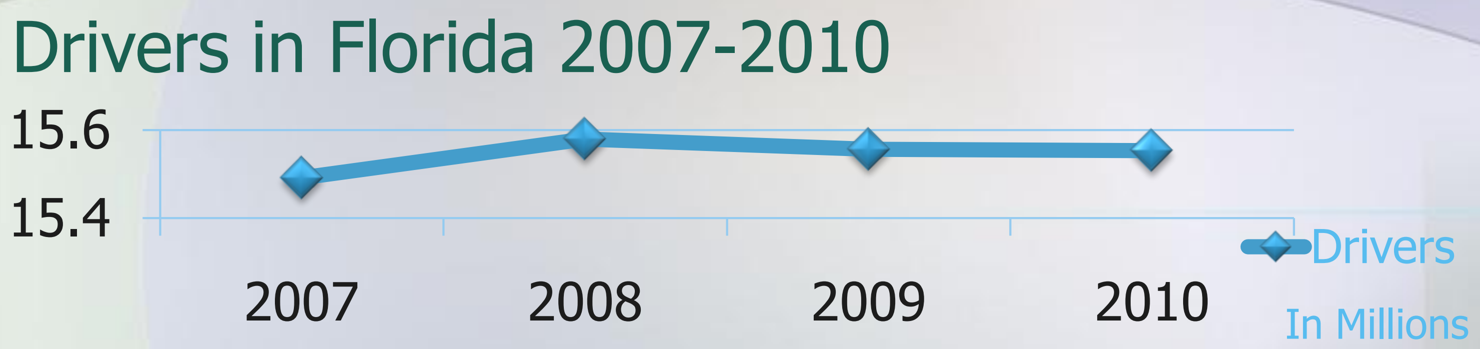
PIP Claims Payments

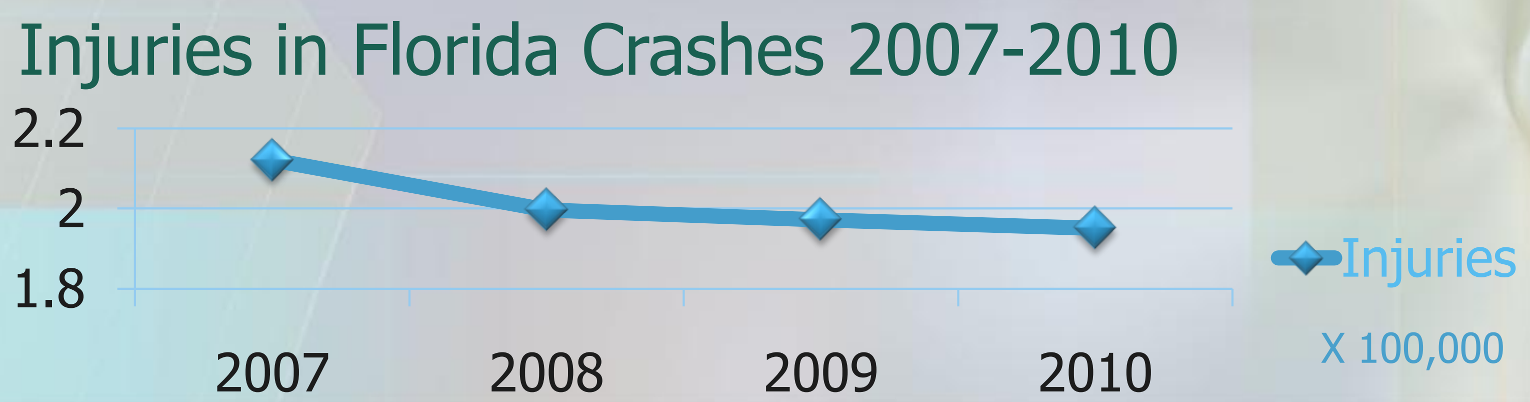


Source: Office of Insurance Regulation

THE FLORIDA SENATE

Motor Vehicle Metrics





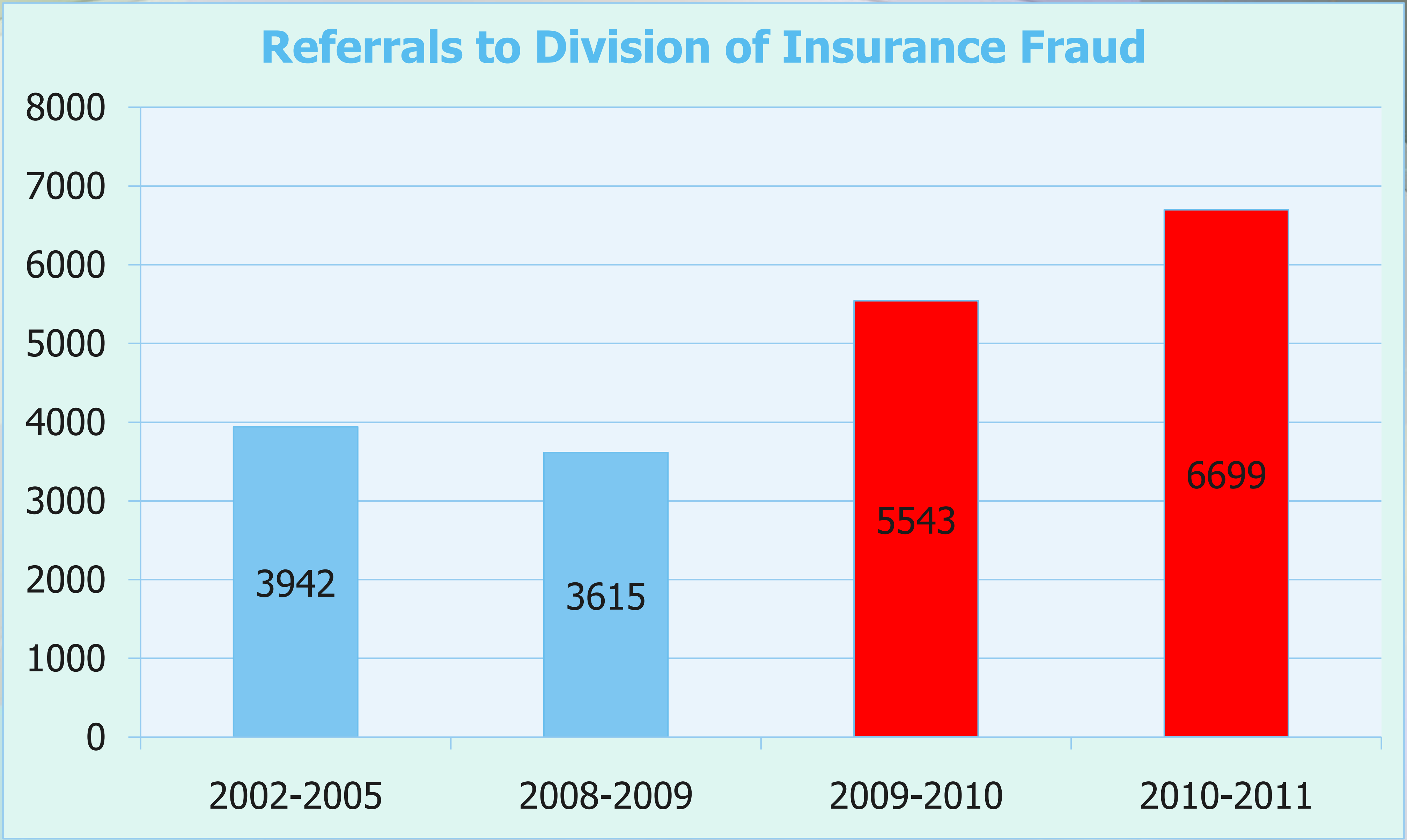
Source: Department of Highway Safety and Motor Vehicles

THE FLORIDA SENATE

Possible Causes of Increased PIP Losses

- ~~Increases in drivers, crashes, and injuries~~
- Fraud
  - Staged accidents, fake injuries, and unnecessary treatment.
- Unnecessary Litigation
- Overutilization and excessive treatment of injuries.

PIP Fraud Referrals



Source: Division of Insurance Fraud

Types of PIP Fraud

- Staged Accidents: The entire accident is fraudulently planned. An organized crime involving:
  - Accident Clinics: Often unlicensed and do not even provide treatment.
  - Attorneys: Employ runners and work in conjunction with clinic owners.
  - Provider/Lawyer referral services: Advertising sometimes conceals patient brokering and illegal solicitation.
  - Policyholders: Cash for crashes.

Source: Division of Insurance Fraud

Types of PIP Fraud

- **Caused Accidents: Staged accident involving an innocent party.**
  - **Swoop & Squat: Swoops in front of car then stops abruptly**
  - **Wave/Drive down: Driver waves vehicle in, strikes vehicle, denies waving them in.**
  - **T-Bone: Hits lone car at intersection; planted witnesses claim other car ran stop sign**
  - **Sideswipe: Purposely hits car crossing lanes**
  - **Panic Stop: Suspect vehicle slams on brakes to get rear ended**

Source: Division of Insurance Fraud

Types of PIP Fraud

- **Paper Accidents: Accident never occurred; exists only on paper.**
- **Phantom Accidents: Fake hit-and-run accident often involving previously damaged vehicle.**
- **Jump In: Patient is paid to lie about being involved in crash so that clinic can bill for treatment not rendered.**

Source: Division of Insurance Fraud

Costs of PIP Fraud

- The National Insurance Crime Bureau estimates that Floridians paid a PIP "fraud tax" of approximately $50 in 2010.
- The FBI estimates that non-health insurance fraud totals more than $40 billion per year and costs the average U.S. family between $400 and $700 per year in increased premiums.

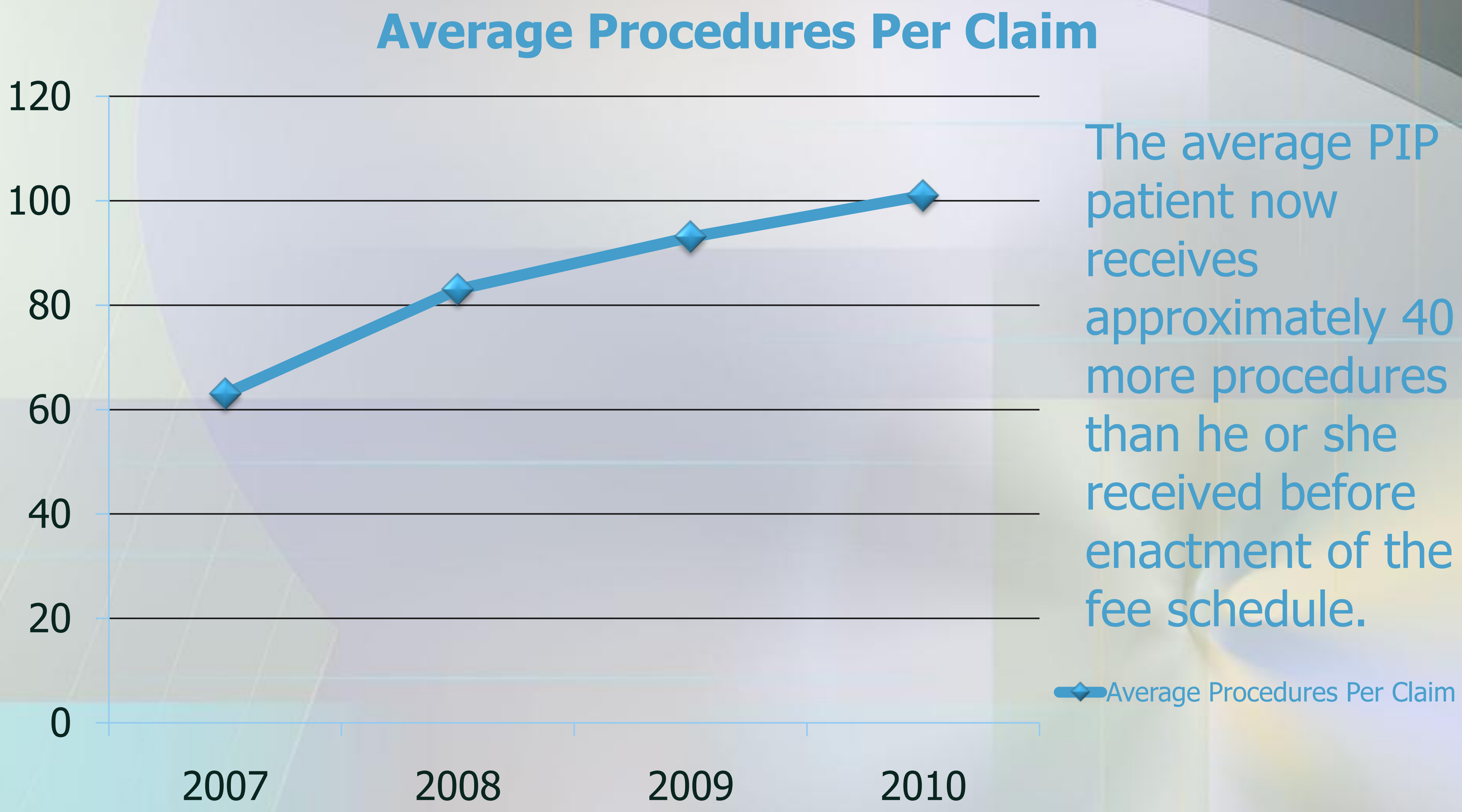
Unnecessary Litigation

- No-Fault is designed to minimize litigation. Since the re-enactment of No-Fault, the opposite has occurred.
  - PIP related lawsuits and settlements have more than doubled from 2008-2010.
- Possible causes:
  - Large fee awards and multipliers create litigation incentives.
  - Billing disputes with providers that should not exist due to fee schedule.

Overutilization of Medical Services

- Enactment of the PIP medical fee schedule was designed to reduce increasing PIP costs.
- The opposite has happened.
- The key change in treatment behavior since the enactment of the fee schedule is a large increase in the number of procedures per PIP claim.

Overutilization of Medical Services



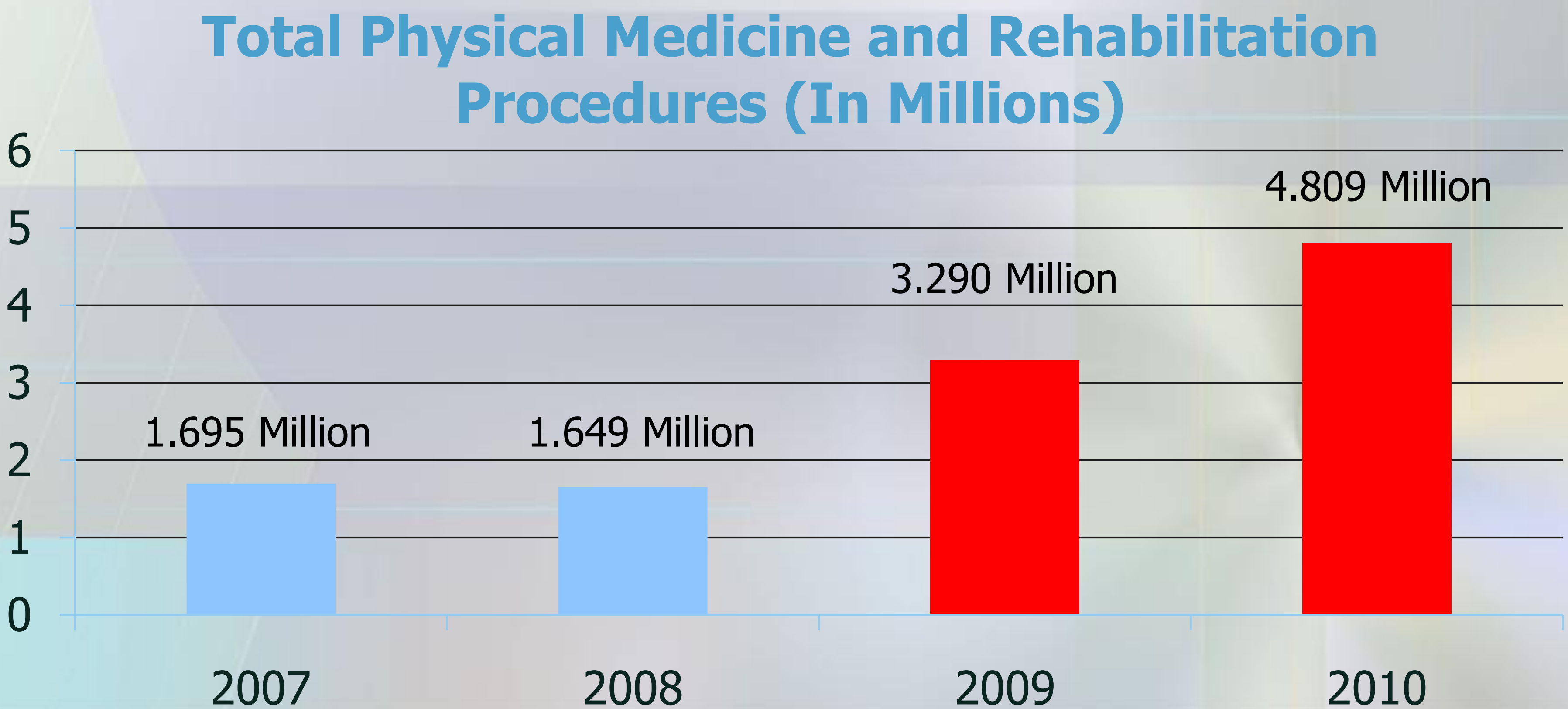
The average PIP patient now receives approximately 40 more procedures than he or she received before enactment of the fee schedule.

Source: Office of Insurance Regulation

THE FLORIDA SENATE

Overutilization of Medical Services

- **Utilization of physical medicine and rehabilitation has substantially increased from 2007 to 2010.**



Source: Office of Insurance Regulation

Conclusion

- The No-Fault system is not accomplishing its purposes.
  - Policyholders are paying higher premiums as the purchasing power of the benefit erodes.
  - Litigation is increasing
    - Insurers and medical providers continue to fight in court, creating additional costs on the system.
  - Fraud is rampant and criminals are making money off the backs of honest Floridians.

Senate Committee on Banking and Insurance
Personal Injury Protection

Tallahassee, Florida

October 4, 2011

Types of Auto Insurance Systems

- No Fault – 10 States

  Economic damages from injuries sustained in an auto accident are covered by each party's own insurance; the negligent party may be sued for additional funds to compensate for noneconomic damages after a specified threshold has been exceeded.

Florida Office of Insurance Regulation

Types of Auto Insurance Systems

- Tort – 38 States

  At-fault drivers are liable for the economic and noneconomic damages they inflict on others.

- Choice – 2 States and DC

  Drivers choose between differing types of auto insurance.

Florida Office of Insurance Regulation

Auto Insurance Coverage Types

- **Liability** – Coverage for all sums the insured is legally obligated to pay due to an accident
  - **Bodily Injury (BI)** – Provides coverage for death or serious and permanent injury to others when you are legally liable for an accident involving your automobile.
  - **Medical Pay (Med Pay)** – Provides coverage for medical treatment for the insured or resident family member resulting from an auto accident, regardless of fault, as well as any person occupying the covered auto.
  - **Personal Injury Protection (PIP)** – Provides coverage for medical benefits, lost wages and funeral benefits for insured or resident family member when injured in their own vehicle, in someone else's vehicle, as a pedestrian or as a bicyclist.
  - **Property Damage (PD)** - Coverage in the event that negligent acts or omissions of an insured result in damage or destruction of another's property.
  - **Uninsured Motorist (UM)** – Coverage provided to the insured, resident family members and any other person occupying the covered automobile for bodily injury resulting from an accident involving an uninsured or underinsured driver.

FLORIDA OFFICE OF INSURANCE REGULATION

Auto Insurance Coverage Types

- **Physical Damage** – Coverage for damage to your covered automobile and other related coverages
  - **Collision** – Coverage provided for damage caused by a collision with another vehicle or object
  - **Comprehensive** – Coverage for physical damage (excluding collision) or theft of the insured vehicle(e.g. theft, fire or hail damage)
  - **Towing** – Coverage for towing and road service for your covered automobile
  - **Rental Reimbursement** – Reimbursement for auto rental up to specified limits if you get into an accident with your own automobile and can no longer drive it.

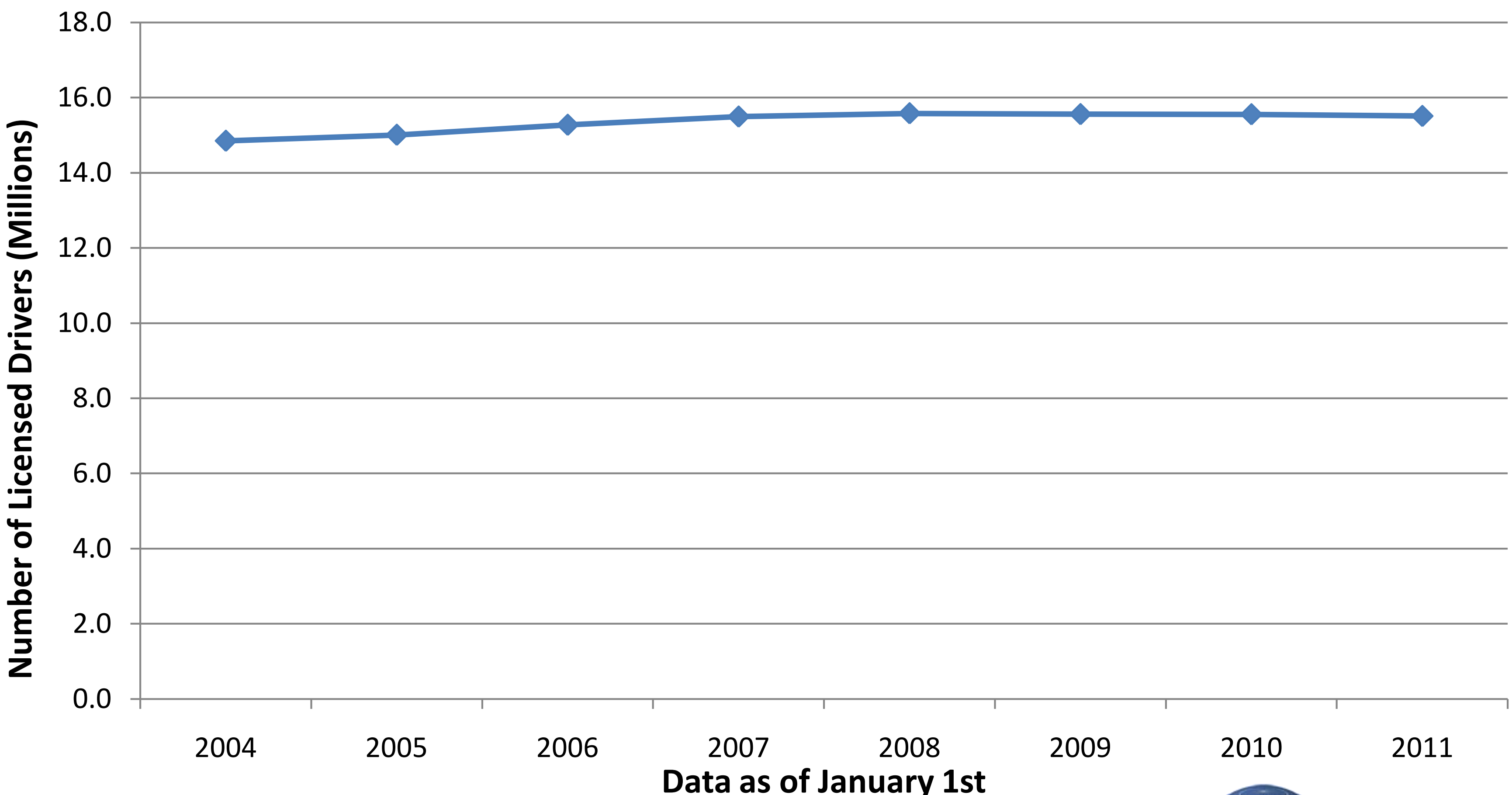
FLORIDA OFFICE OF INSURANCE REGULATION

PIP/No Fault History in Florida

- 1972 – Florida Enacts No-Fault Law ($5,000 PIP Benefit)
- 1979 – PIP Benefit is Raised to $10,000
- 1988 – Mandatory Property Damage Liability Coverage ($10,000 Benefit)
- 2000 – Statewide Grand Jury Findings
- 2001 – Enhanced Fraud Protections Enacted Including Clinic Licensure and Limited Third-Party Access to Crash Reports
- 2003 – Further Anti-fraud and Licensing Provisions
- 2007 – PIP Sunsets, But is Re-enacted during Special Session (with some reforms)

FLORIDA OFFICE OF INSURANCE REGULATION

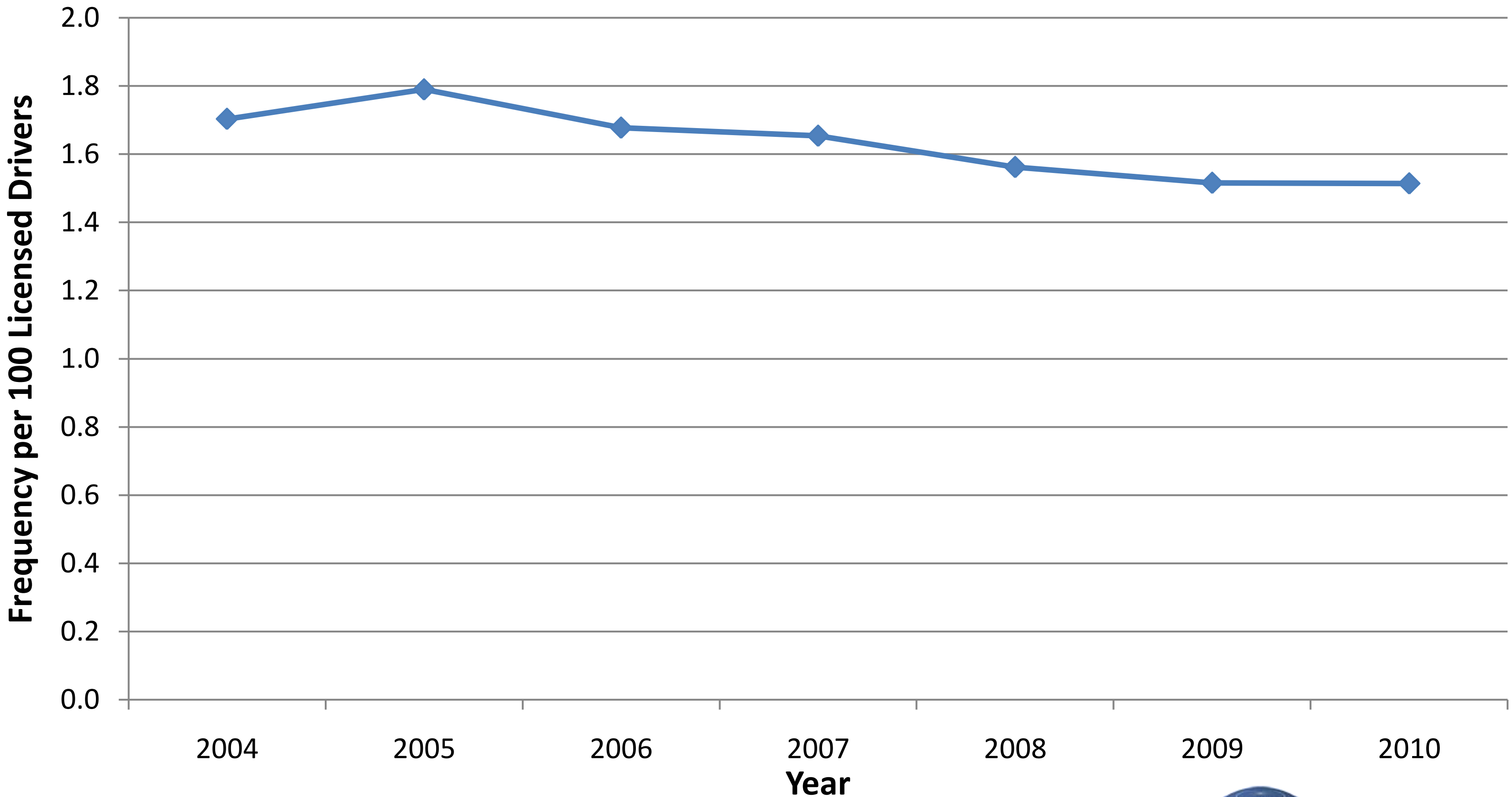
Number of Licensed Drivers Has Remained Stable Since 2004



Source: Driver Demographic Reports from Florida Department of Highway Safety and Motor Vehicles (www.flhsmv.gov/html/safety.html)

FLORIDA OFFICE OF INSURANCE REGULATION

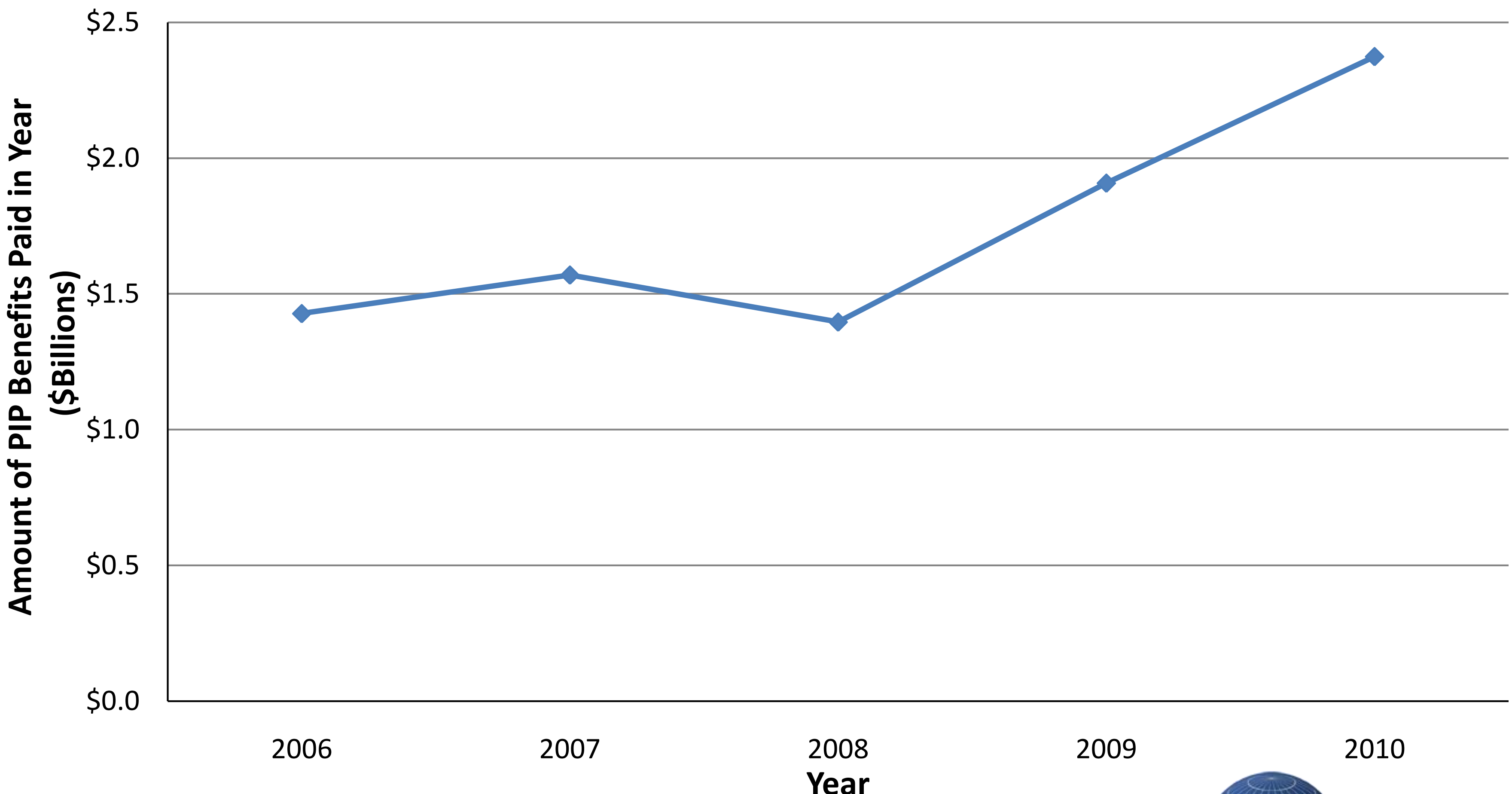
Frequency of Crashes Has Decreased Since 2005



Source: Driver Demographic Reports and Traffic Crash Reports from Florida Department of Highway Safety and Motor Vehicles (www.flhsmv.gov/html/safety.html)

FLORIDA OFFICE OF INSURANCE REGULATION

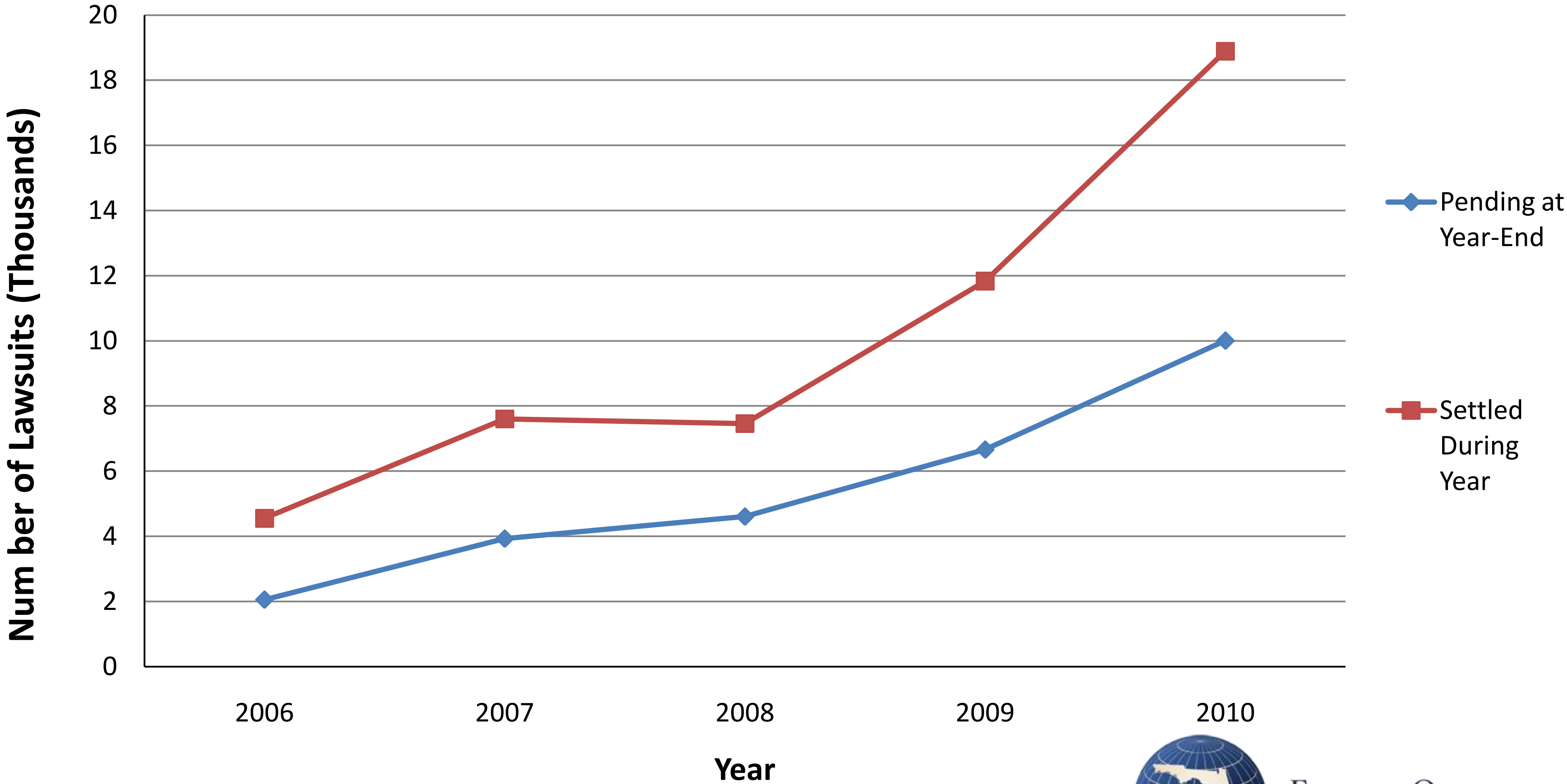
Total PIP Benefits Paid Have Increased Significantly Since 2008



Source: Report on Review of the 2011 Personal Injury Protection Data Call - April 11, 2011
Data shown is for total payments for PIP benefits and excludes attributable expenses.

FLORIDA OFFICE OF INSURANCE REGULATION

Number of PIP-Related Lawsuits Has Increased Significantly Since 2008



Source: Report on Review of the 2011 Personal Injury Protection Data Call - April 11, 2011
Number of PIP-related lawsuits where the insurer was the defendant

FLORIDA OFFICE OF INSURANCE REGULATION

Top Five PIP States

	State	No-Fault Limit	Bodily Injury Limit (If mandatory)
1.	Michigan	Unlimited PIP	$20,000 per person/$40,000 per accident
2.	Florida	$10,000 PIP limit	N/A
3.	New York	$50,000 Limit	$25,000 per person/$50,000 per accident
4.	New Jersey	$250,000 Standard Limit (A $15,000 Basic limit is available)	$15,000 per person/$30,000 per accident for Standard Policy $10,000 per accident available as option for Basic Policy
5.	Pennsylvania*	$5,000 Medical Benefits Only (Funeral expenses, wage loss, etc. available as additional optional coverages)	$15,000 per person/$30,000 per accident

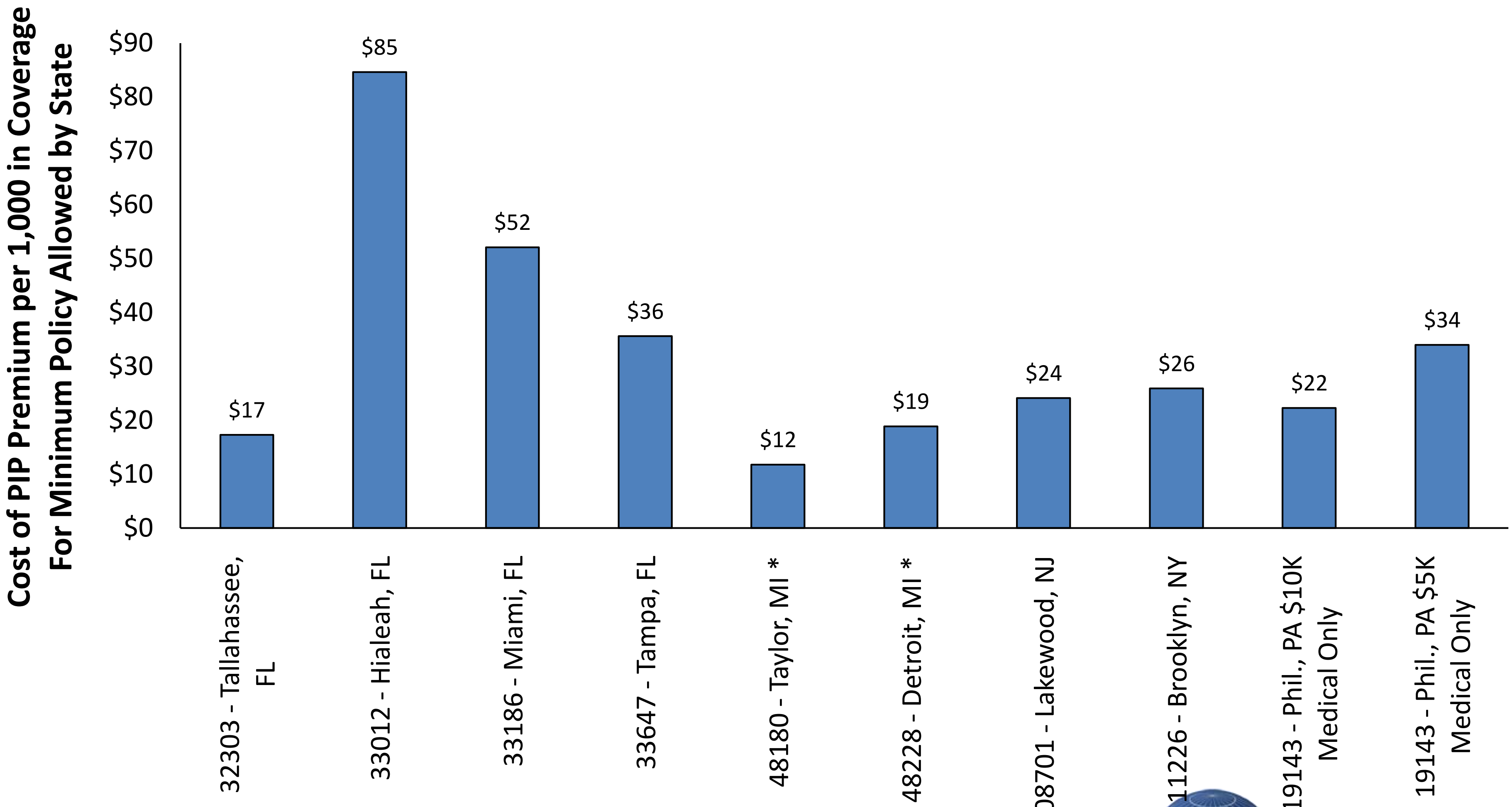
Source for Rankings: Annual Statement – 2010 Direct Written Premium from Statutory Page 14 for Private Passenger Auto No-Fault (Personal Injury Protection) line of business.

FLORIDA OFFICE OF INSURANCE REGULATION

** Pennsylvania allows insureds a choice between a no-fault and a tort system.*

Actual PIP 6-Month Premium Quotes

(For Selected Zip Codes in Top Five PIP States)

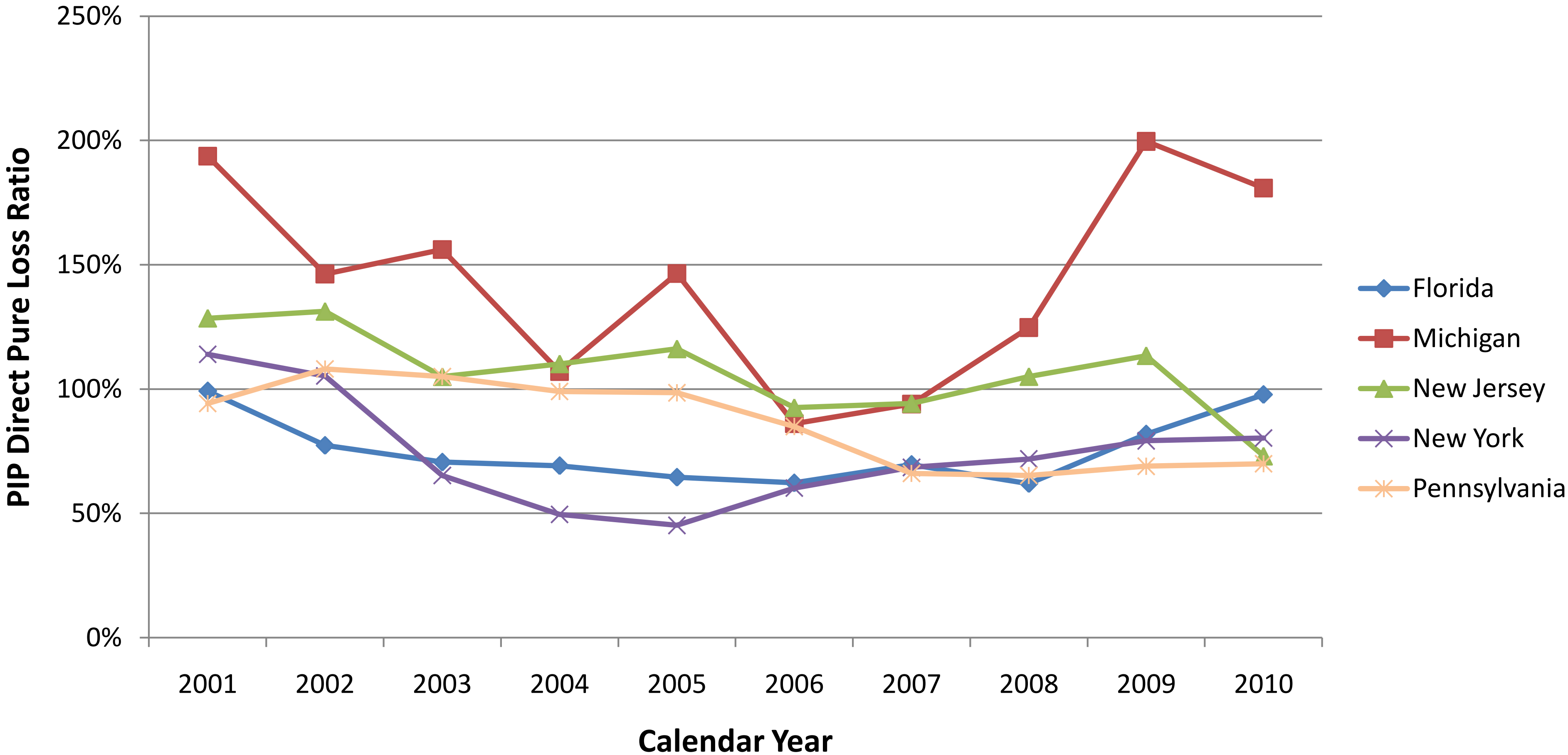


Source: Large national carrier's online quote tool for 25-year-old single female, with no accidents/violations in last five years, and less than one year at current insurer at minimum or no BI limits. For states where occupation is used, Food Service.

** $50,000 used as proxy for limit for Michigan since PIP coverage is provided on unlimited basis.*

FLORIDA OFFICE OF INSURANCE REGULATION

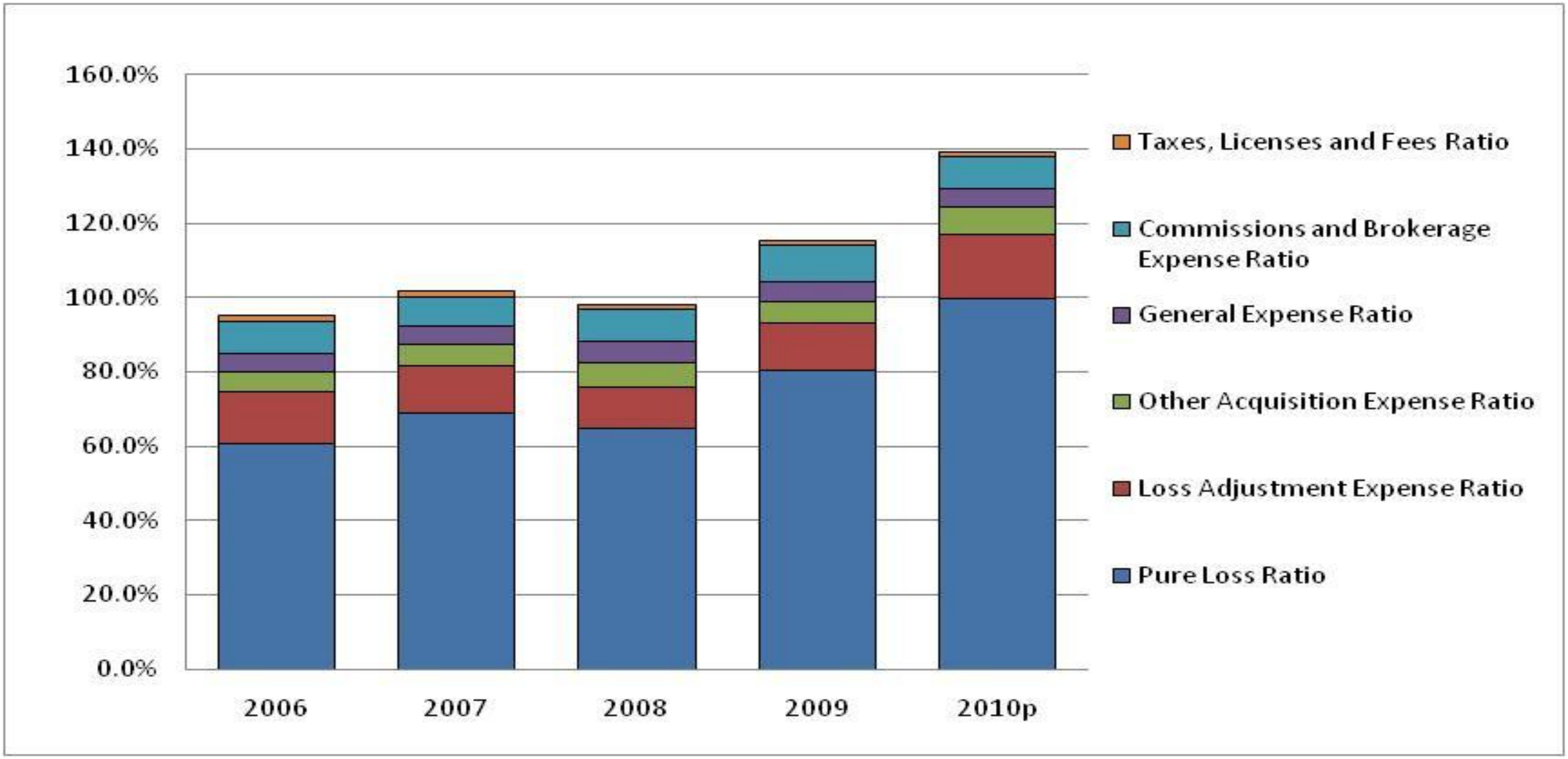
PIP Direct Pure Loss Ratio For Top Five PIP States



Source: Annual Statement - Statutory Page 14

FLORIDA OFFICE OF INSURANCE REGULATION

PIP Combined Loss Ratios



Source: Calendar Year Experience Reporting Form (Form OIR-B1-308); 2010 is preliminary
Only includes information from insurers that write 0.5% or more of the total industry-wide written premium for that line of business of the preceding calendar year

Florida Office of Insurance Regulation

Cumulative Rate Changes For Top Five Auto Insurers

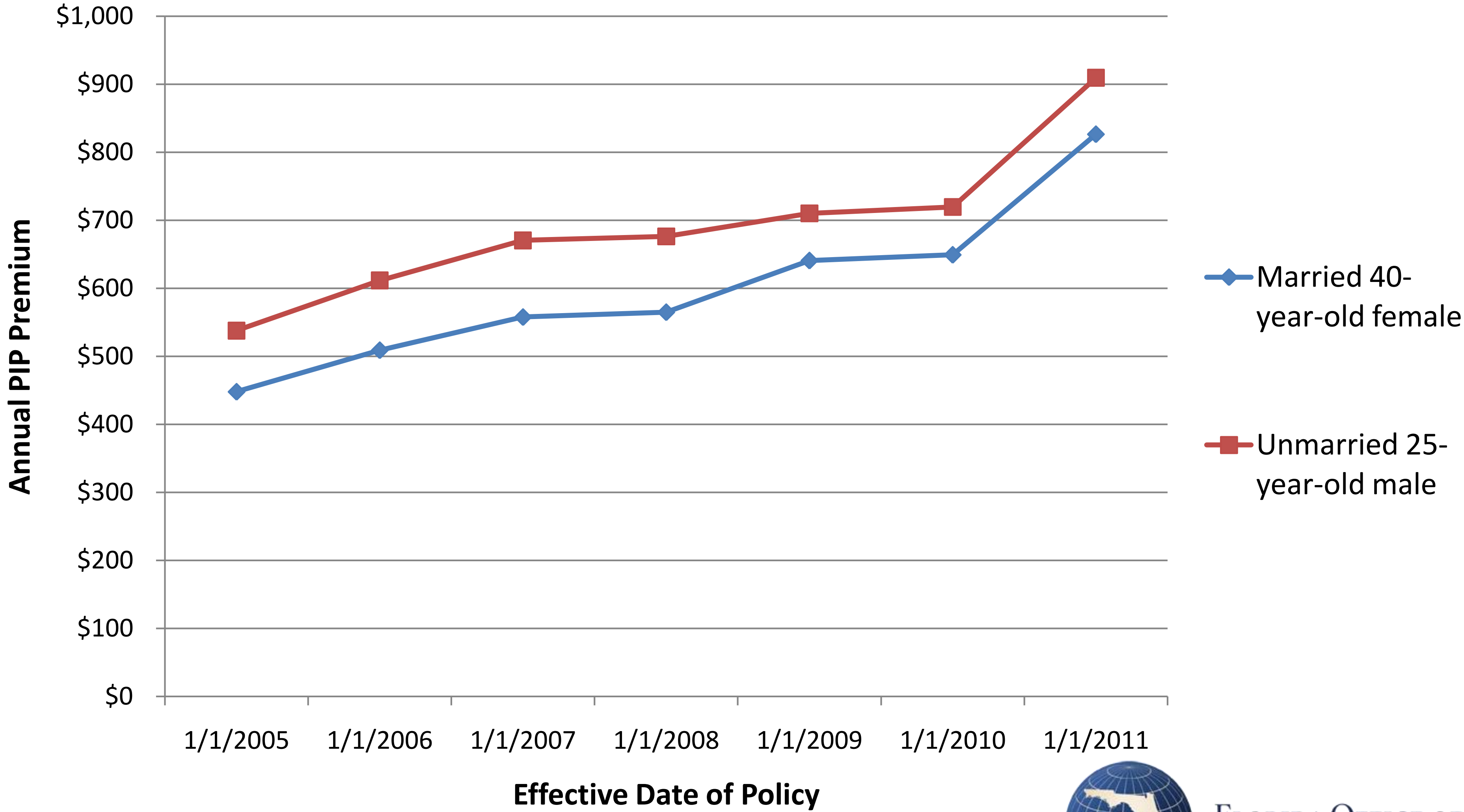
(Since 1/1/2009)

Coverage	STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY	GEICO GENERAL INSURANCE COMPANY	PROGRESSIVE AMERICAN INSURANCE COMPANY	PROGRESSIVE SELECT INSURANCE COMPANY	ALLSTATE INSURANCE COMPANY
BI	40.0%	40.0%	33.0%	36.0%	46.3%
PD	40.0%	-6.0%	-4.2%	2.3%	29.6%
PIP	49.7%	72.2%	63.0%	48.5%	35.1%
UM	52.4%	-3.3%	48.7%	67.8%	-7.4%
MP	-3.8%	-1.9%	-1.7%	-0.2%	23.1%
COLL	-15.9%	-22.1%	-19.8%	-12.4%	-24.7%
COMP	-7.2%	-18.0%	-29.5%	-16.6%	-26.3%
Total:	26.0%	14.0%	19.0%	18.8%	11.5%
Market Share:	19.9%	8.6%	5.2%	4.7%	4.5%

Source: For filings implemented by insurers with effective dates for new business on or after January 1, 2009; Based on data submitted in the Rate Collection System as of August 1, 2011.

FLORIDA OFFICE OF INSURANCE REGULATION

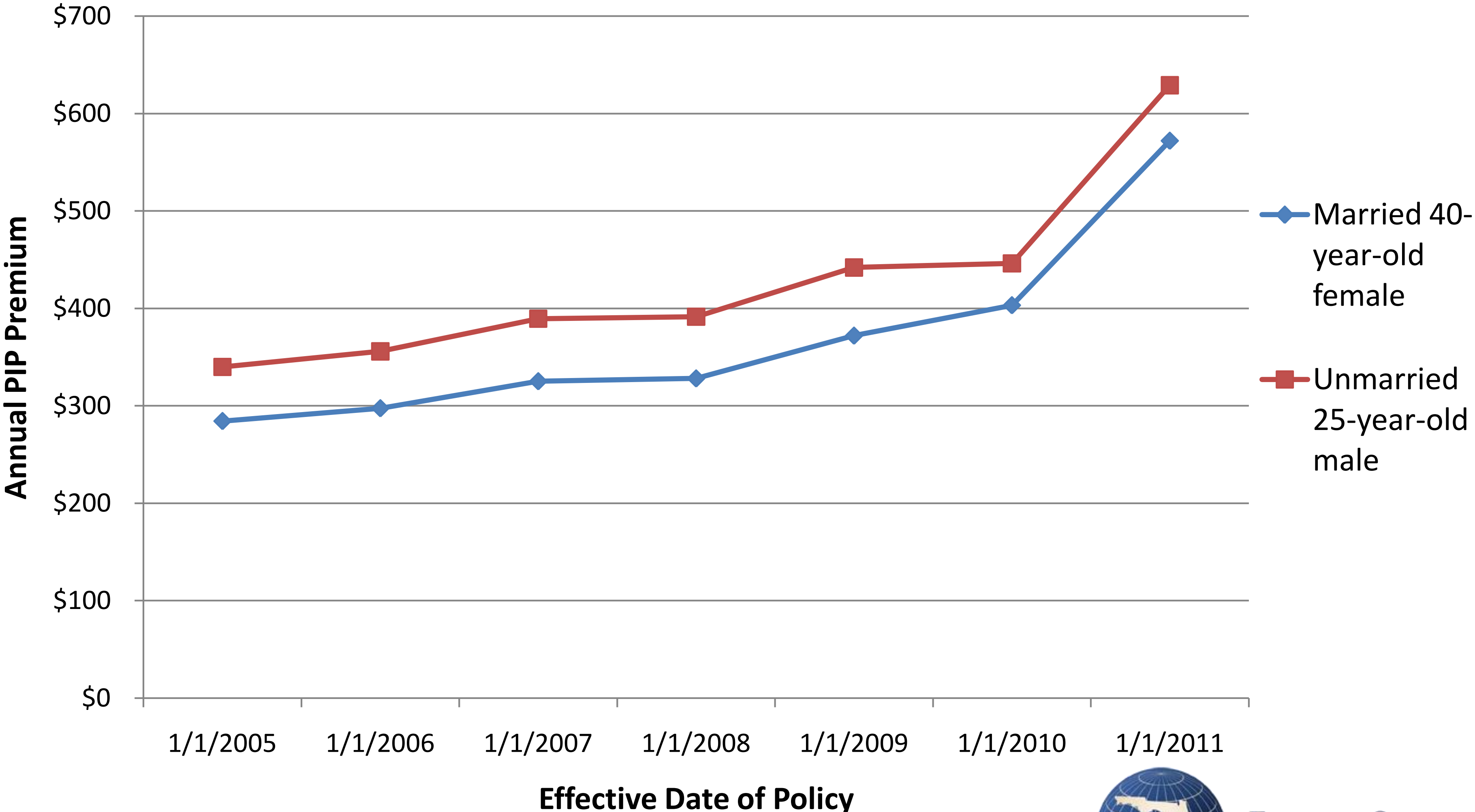
Comparison of PIP Premium Over Time for Miami Insured



Source: Annual PIP premium for Miami zip code 33126 for a large national carrier. Assumes neutral risk score , no tickets/accidents, anti-lock brakes and automatic front seat belts.

FLORIDA OFFICE OF INSURANCE REGULATION

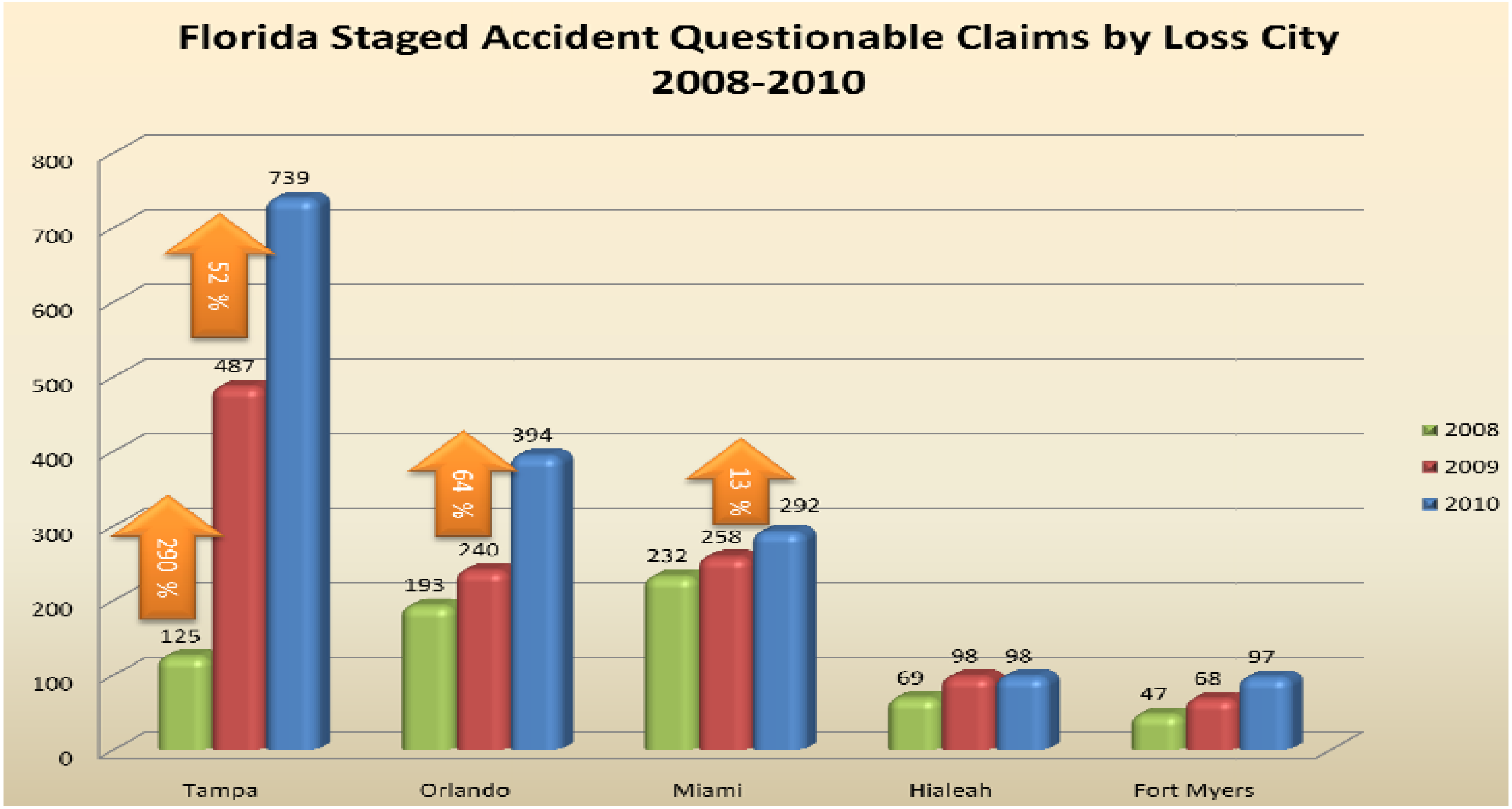
Comparison of PIP Premium Over Time for Tampa Insured



Source: Annual PIP premium for Tampa zip code 33606 for a large national carrier. Assumes neutral risk score , no tickets/accidents, anti-lock brakes and automatic front seat belts.

FLORIDA OFFICE OF INSURANCE REGULATION

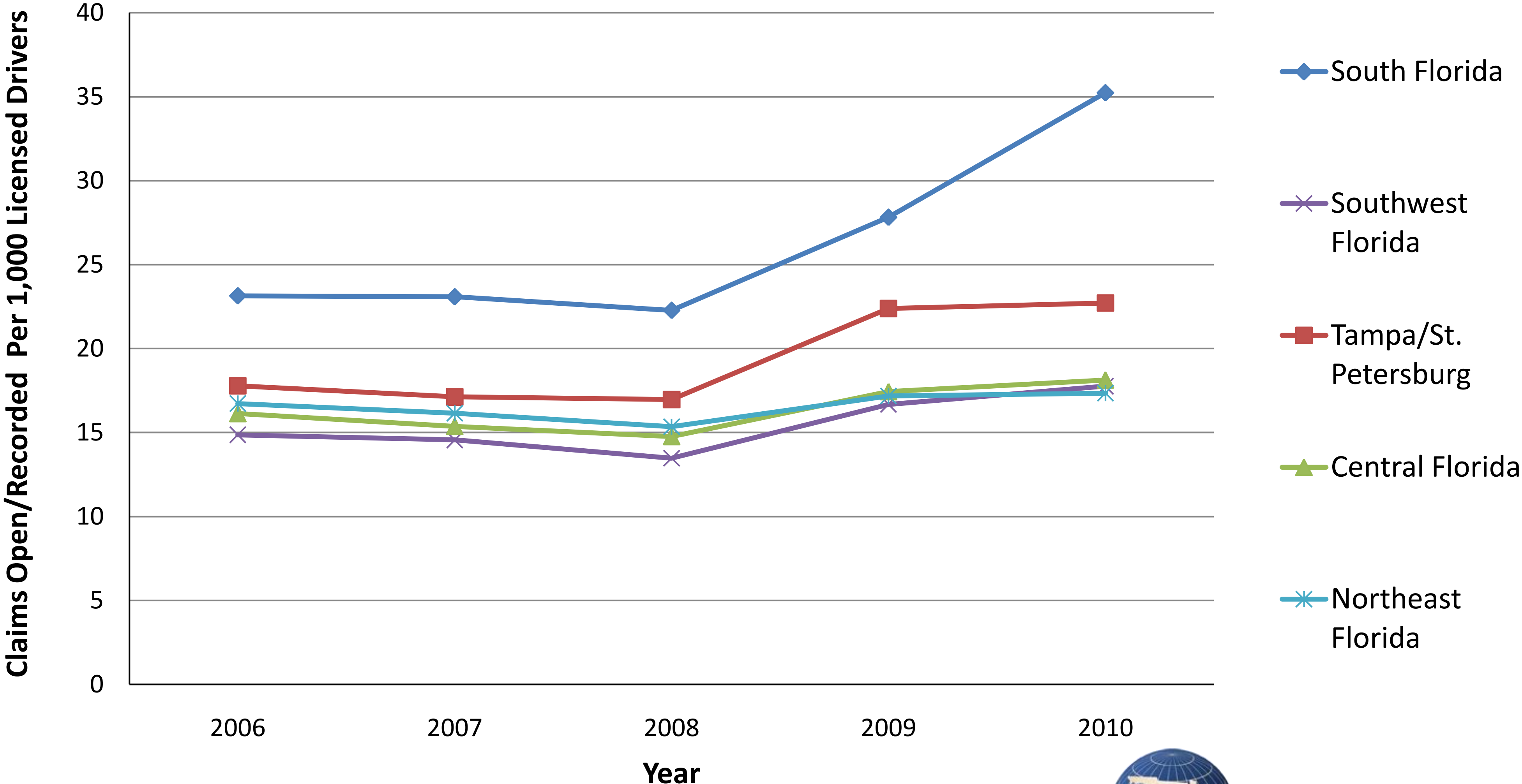
Tampa Continues to Lead the State in Staged Accident Questionable Claims



Source: NICB, "Staged Accidents Analysis – Florida 2008-2010", released April 20, 2011
(www.nicb.org/newsroom/news-releases/florida-staged-accident-qc-report*)*

Florida Office of Insurance Regulation

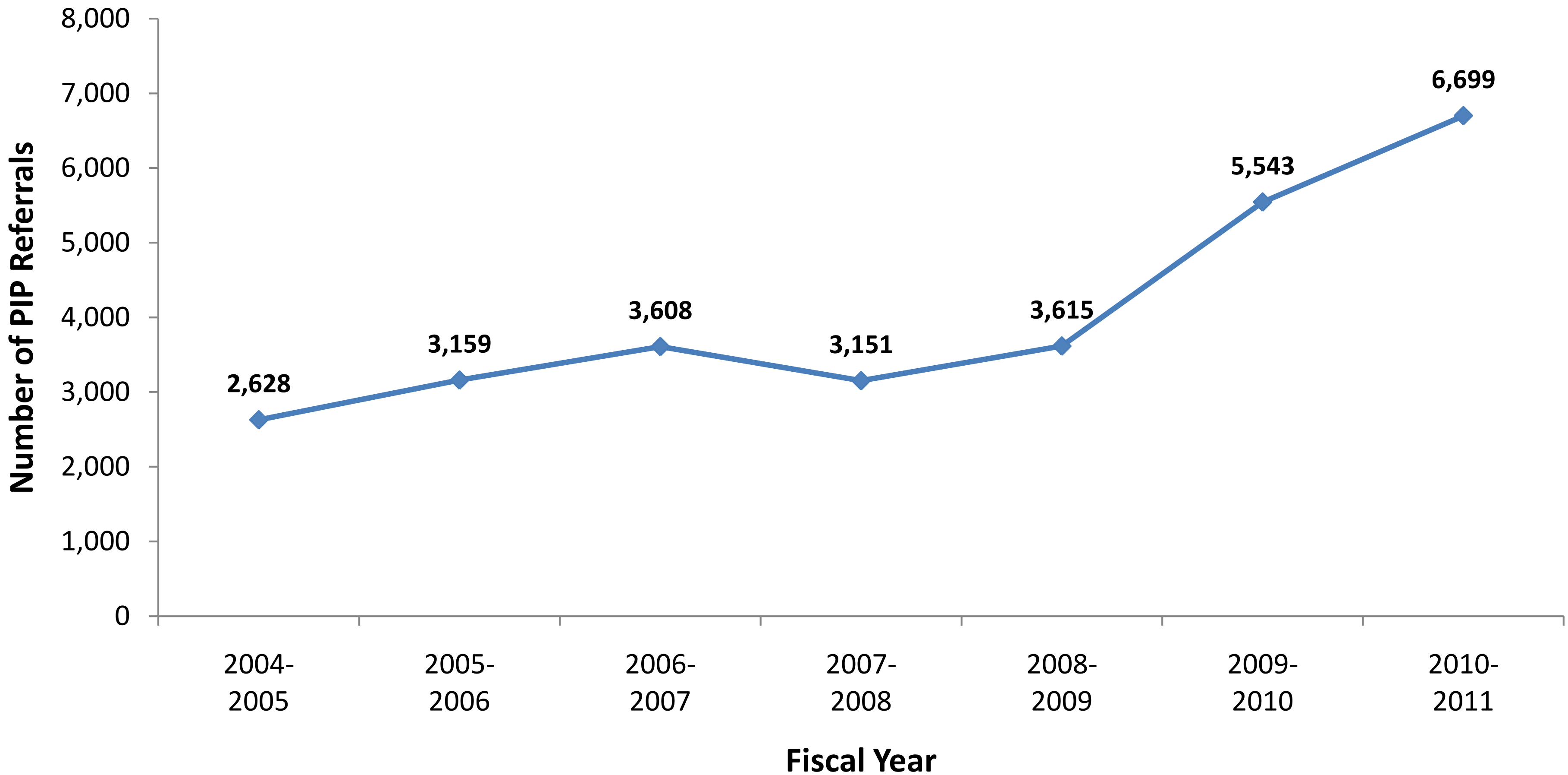
Claims Opened/Recorded By Region Per 1,000 Licensed Drivers



Source: Claims from Report on Review of the 2011 Personal Injury Protection Data Call - April 11, 2011 and licensed drivers from Driver Demographic Reports from Florida Department of Highway Safety and Motor Vehicles (www.flhsmv.gov/html/safety.html)

Florida Office of Insurance Regulation

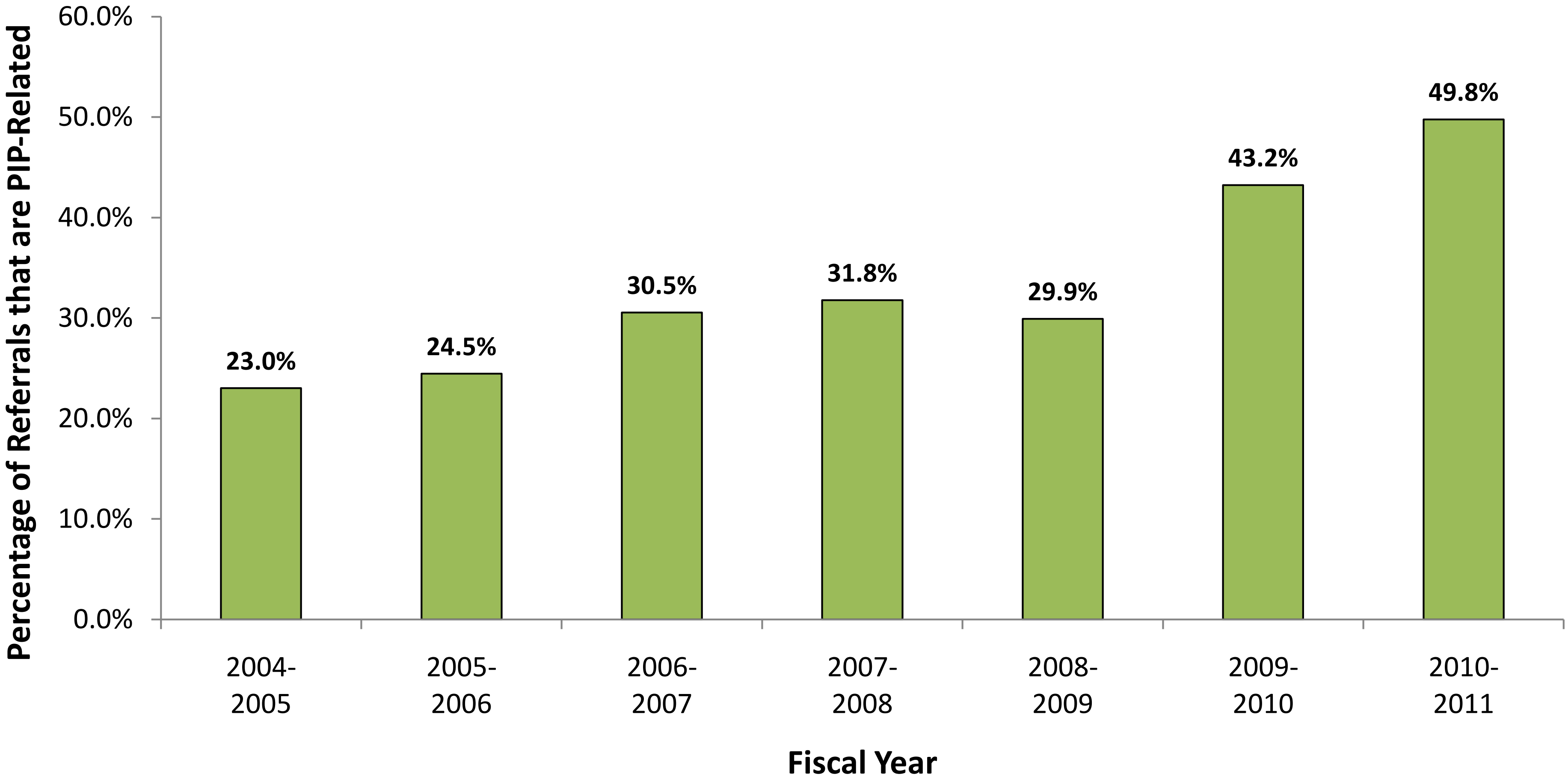
PIP Fraud Referrals Have Increased Significantly Since 2007



Source: Florida Department of Financial Services, Division of Insurance Fraud

Florida Office of Insurance Regulation

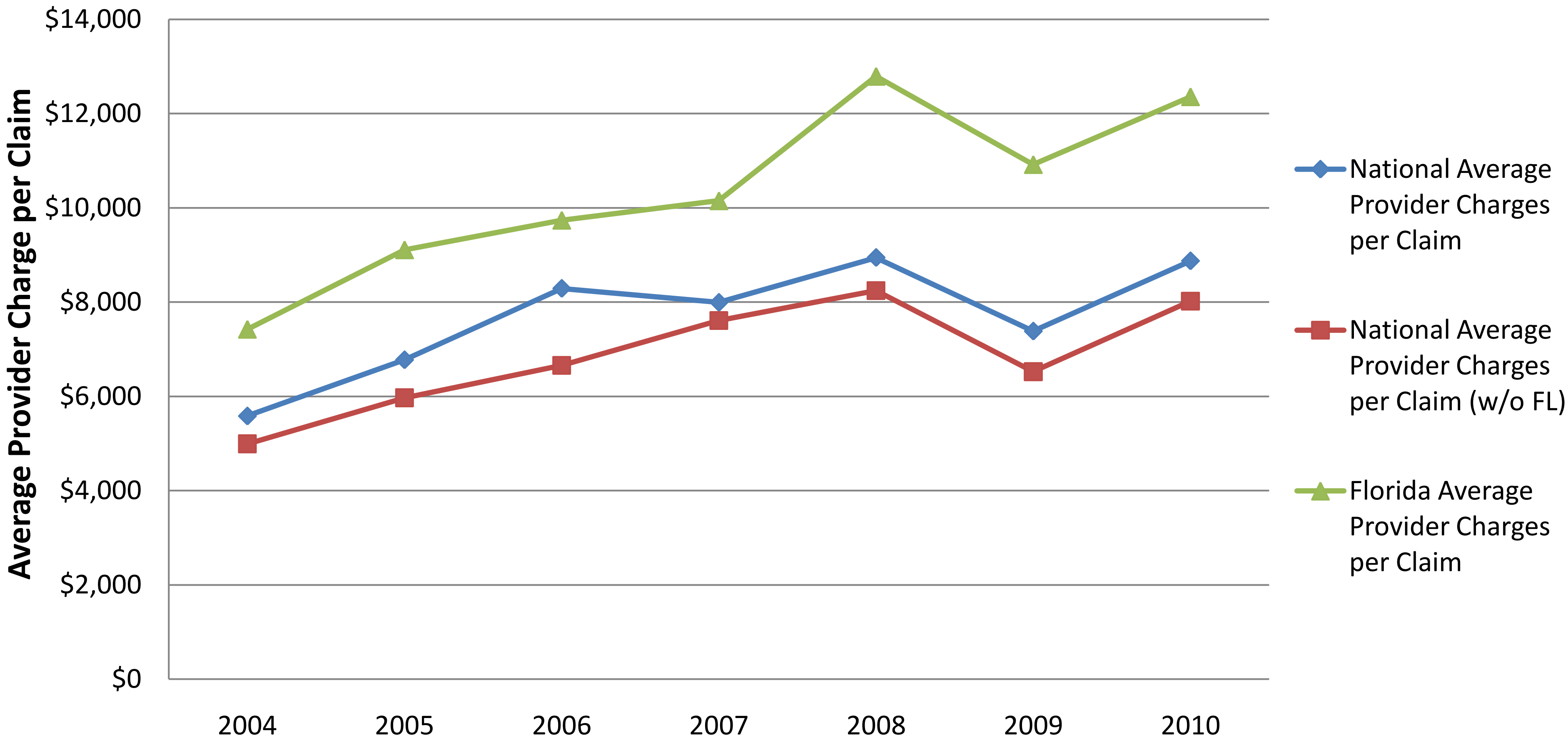
Almost 50% of Total Referrals Are Now PIP-Related



Source: Florida Department of Financial Services, Division of Insurance Fraud

FLORIDA OFFICE OF INSURANCE REGULATION

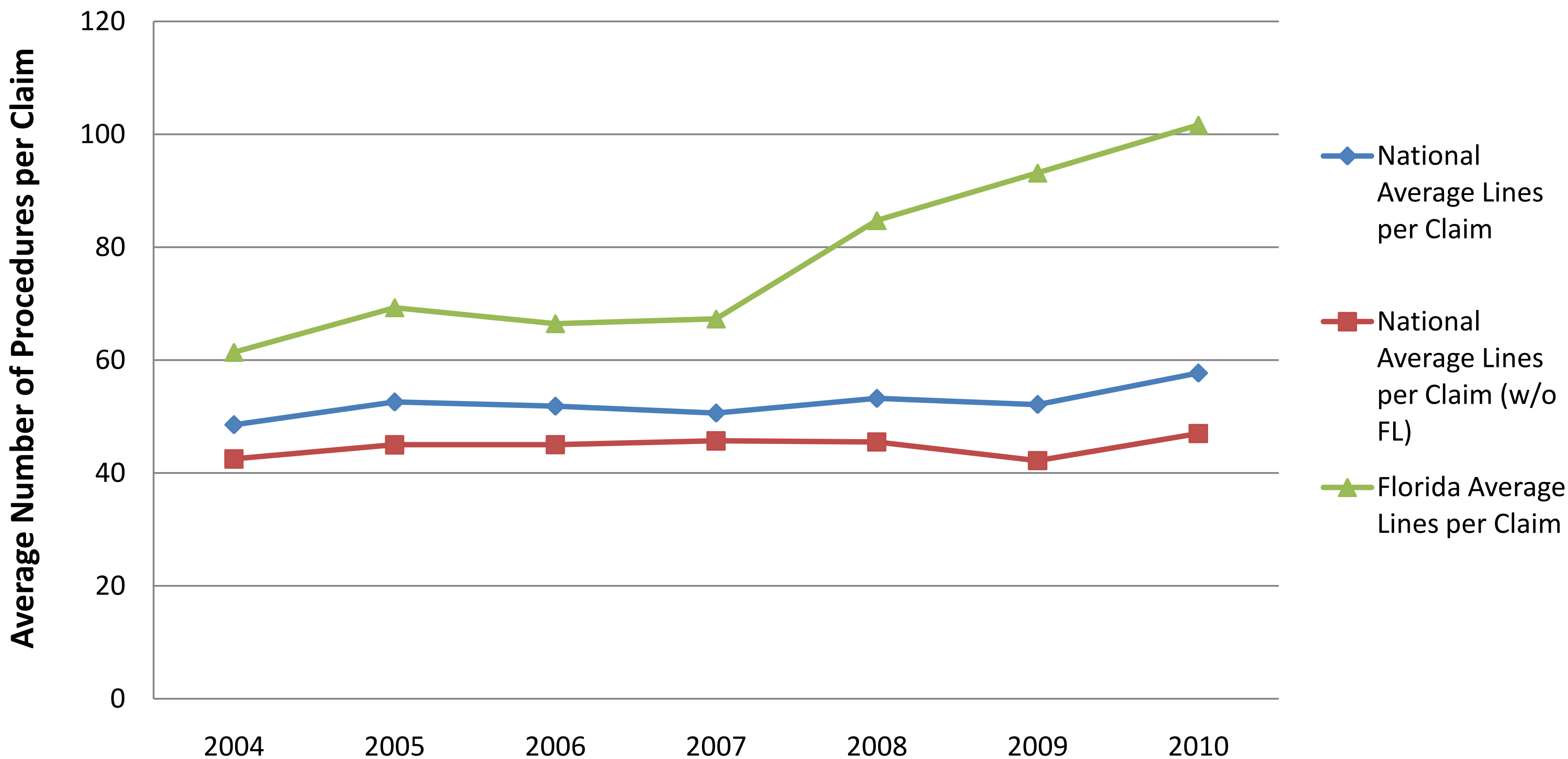
The Average Provider Charges Per Claim Continue to Increase



Source: Report on Review of the 2011 Personal Injury Protection Data Call - April 11, 2011

FLORIDA OFFICE OF INSURANCE REGULATION

Average Procedures Per Claim Have Increased Significantly Since 2007



Source: Report on Review of the 2011 Personal Injury Protection Data Call - April 11, 2011

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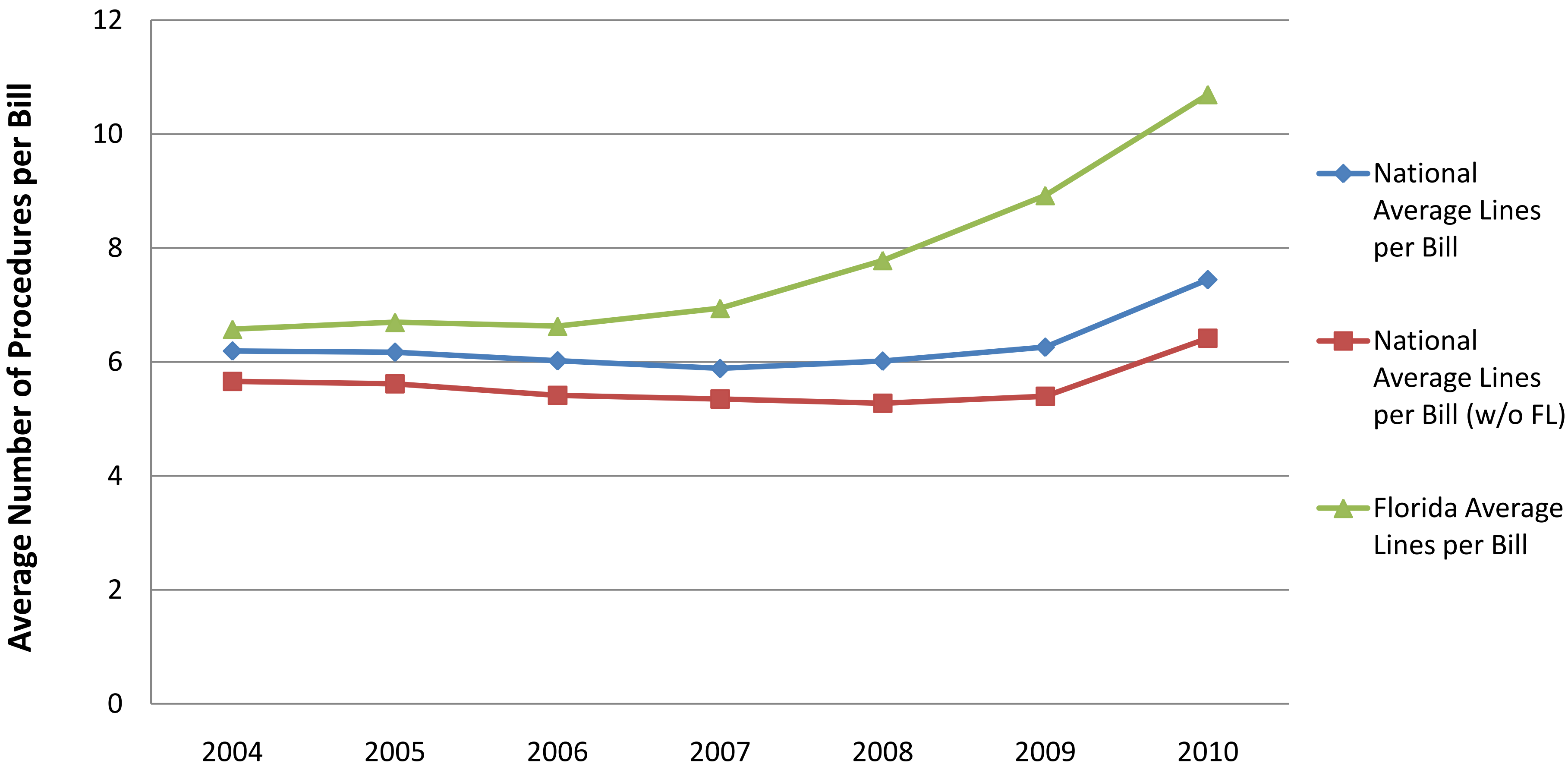
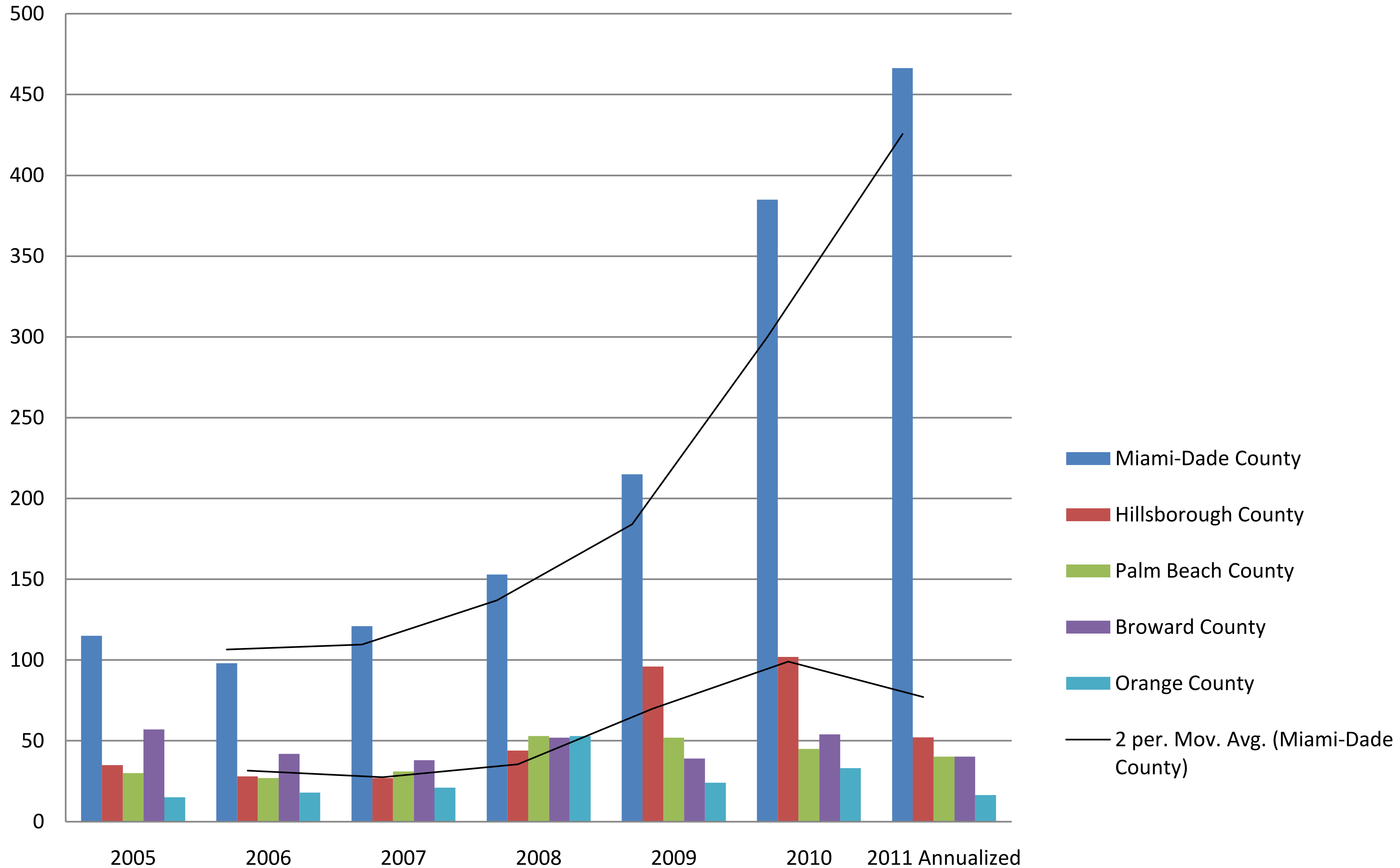
Average Procedures Per Bill Have Also Increased Since 2007



Source: Report on Review of the 2011 Personal Injury Protection Data Call - April 11, 2011

Florida Office of Insurance Regulation

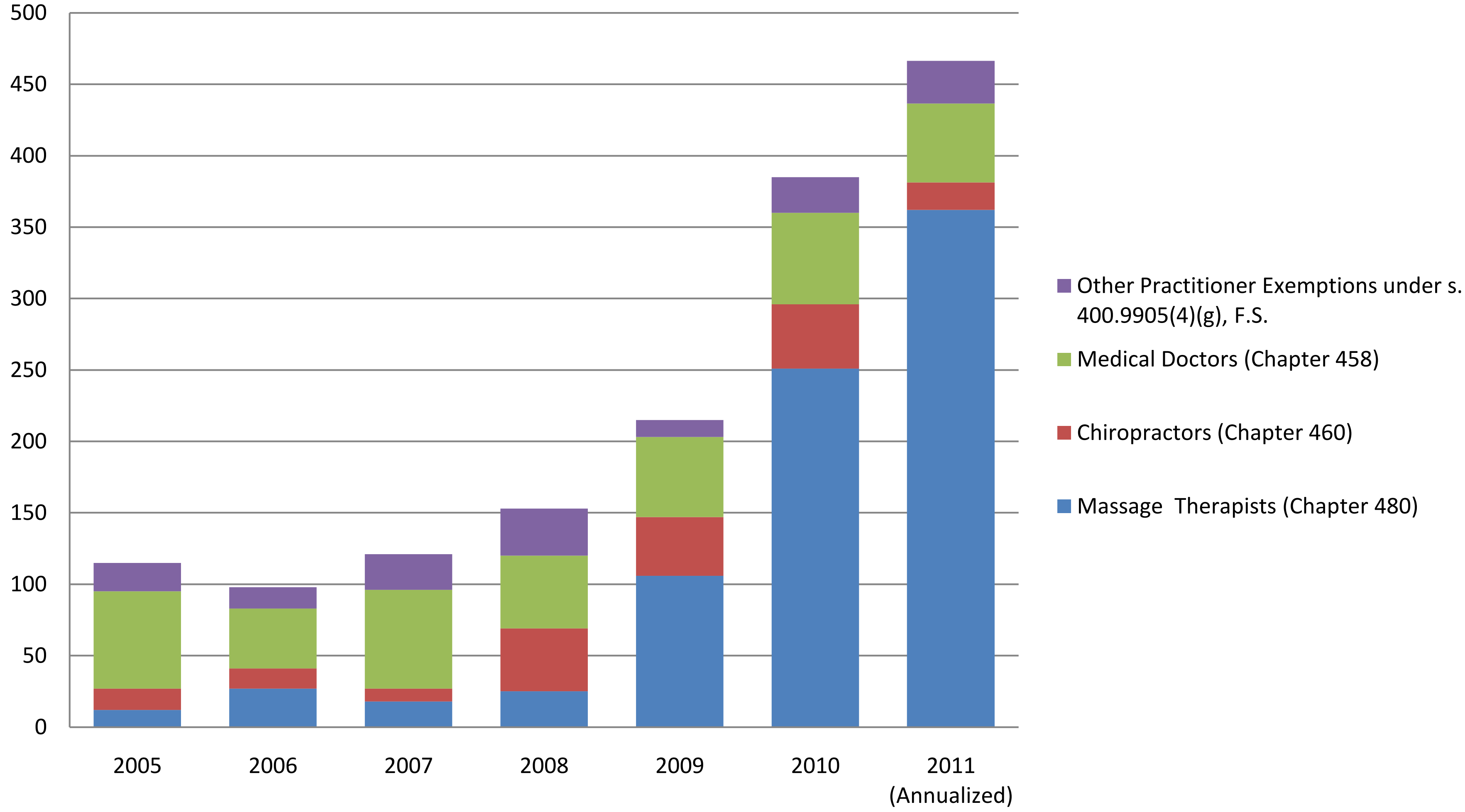
New Exemptions Issued Each Year for Florida's Top Counties



Source: Agency for Health Care Administration

Florida Office of Insurance Regulation

Miami-Dade County Practitioner Exemptions under 2. 400.9905(4)(g), F.S.



Source: Agency For Health Care Administration

Florida Office of Insurance Regulation