

From Backstop to Market Participant: Reassessing Citizens' Role Restoring Citizens Property Insurance Corporation to Its Role as Florida's Insurer of Last Resort

Introduction

Florida's residential property insurance market has undergone a remarkable transformation in just a few years. Following a prolonged period marked by insurer insolvencies, declining private-market capacity, escalating litigation costs, rising reinsurance expenses, and significant premium increases, the Legislature enacted substantial property insurance reforms in 2022 and 2023.

Now well into 2026, the results are increasingly difficult to dispute. Private capital has returned to Florida. Insurer financial performance has improved. Litigation has declined substantially. More companies are competing for residential property insurance business, rate filings have stabilized, and hundreds of thousands of policies have moved from Citizens Property Insurance Corporation (Citizens) back into the private market.





Citizens provides perhaps the most visible measure of that recovery. On September 30, 2023, Citizens had 1,407,805 policies in force,¹ the high-water mark of the most recent insurance crisis. By September 29, 2026, its policy count had fallen to approximately 255,000, and Citizens' share of the admitted residential market, measured by insured value, had fallen to 1.8 percent.² This extraordinary contraction is evidence not only of successful depopulation efforts but of a private market once again capable of absorbing significant residential property exposure.

That success does not end the policy discussion surrounding Citizens. Instead, it rightly enables the discussion to continue.

In 2002, Florida created Citizens to serve as a residual market—an insurer available when coverage could not be obtained from the voluntary private market. Over the ensuing two decades, however, the Legislature made a series of policy decisions, often during periods of severe market stress, that gradually altered both who could obtain coverage from Citizens and how Citizens could price that coverage. Some of those decisions were intended as temporary responses to extraordinary conditions. Others reflected deliberate efforts to address insurance affordability. Taken together, however, they have allowed Citizens at various times to operate less like an insurer of last resort and more like a competitor to the private market.

This distinction matters because Citizens does not operate under the same economic structure as a private insurer. It is a tax-exempt government entity with extraordinary financing and post-event assessment authority. Those tools exist for good reason: Florida needs a reliable residual insurer capable of paying claims when private coverage is genuinely unavailable. But advantages appropriate for a residual safety net create different consequences when Citizens competes for risks that private insurers are willing to cover.

Florida therefore faces a question that is more fundamental than how many policies Citizens should have. The appropriate size of Citizens changes with market conditions. When private insurers reduce exposure after hurricanes, capital-market disruptions, insolvencies, or other severe market events, a properly functioning residual insurer is intended to grow. As private capacity returns, it should shrink.

Citizens should expand when private coverage genuinely is unavailable and contract as private capacity returns

Florida's recent reforms were designed to restore the private property insurance market. Their success now provides an opportunity to complete that work by examining whether Citizens' statutory structure still reflects its intended role as an insurer of last resort. The time to make structural changes to Citizens is not when 1.4 million Floridians depend on it. The time to reform Citizens is when fewer Floridians depend on it, and when the private market has sufficient capacity to absorb additional policies.

Citizens' Original Statutory Purpose

Understanding how Citizens operates today requires returning to the framework adopted when the Legislature created the corporation in 2002.³

Citizens was formed through the consolidation of Florida's existing residential joint underwriting and windstorm residual-market mechanisms. The Legislature found that catastrophic losses had caused private insurers to become unwilling or unable to provide property insurance to some Florida residents and businesses. The purpose of the new corporation was therefore to make coverage available to applicants who were entitled to procure insurance through the voluntary market but were unable to do so.⁴

At the time, the Senate staff analysis repeatedly characterized the predecessor entities as Florida's residual market and as insurers of last resort.⁵ More importantly, the 2002 eligibility structure reflected that philosophy. For personal residential coverage, an offer of full coverage from an authorized insurer at its approved rate rendered the risk ineligible for Citizens.

The original statute therefore asked a relatively straightforward question:

Is admitted private-market insurance available?

If the answer was yes, the applicant was not eligible for coverage from Citizens. If the answer was no, Citizens existed to provide the necessary backstop.

The original rate structure reinforced that residual-market philosophy. Citizens' rates were intended to be actuarially sound and noncompetitive with approved rates in the voluntary market. The

rate statute expressly connected noncompetitive pricing to Citizens' role as a residual-market mechanism providing insurance when coverage could not be found in the voluntary market.⁶

That distinction is particularly important because the Legislature simultaneously gave Citizens financial advantages unavailable to an ordinary private insurer. Citizens was structured as a tax-exempt government entity, and the 2002 staff analysis specifically recognized that tax-exempt financing could materially increase its financial resources.⁷ The purpose of those advantages was to strengthen Citizens' ability to fulfill its public responsibilities and pay claims following catastrophe—not to make Citizens a preferred price competitor to private insurers.

The original framework was therefore internally consistent:

availability-based eligibility, actuarially sound and noncompetitive rates, and extraordinary government financing tools to support a residual safety net.

That consistency began to change five years later following the 2004 and 2005 hurricane seasons when eight hurricanes struck Florida.

How Citizens' Statutory Role Expanded

2007: From Availability to Price

Most consequentially, HB 1-A changed the basic eligibility question.

Before 2007, an offer from an authorized insurer at an approved rate generally rendered a new applicant ineligible for Citizens. HB 1-A replaced that pure availability test with a price comparison. A new personal residential applicant who had a private-market offer could nevertheless obtain Citizens coverage if the private insurer's premium was more than 25 percent greater than the premium for comparable Citizens coverage⁸. Existing Citizens policyholders were allowed to remain in Citizens regardless of a private-market offer.⁹

The 25 percent threshold did not last long. During the 2007 regular legislative session, under the leadership of then-Governor Charlie Crist, lawmakers revisited the eligibility standard and reduced the private-market premium differential from 25 percent to 15 percent.¹⁰ The change further expanded the number of risks that could qualify for Citizens even when coverage was available in the voluntary market.

At the time, the Senate staff analysis was explicit about the consequence. In evaluating the proposal, staff described the lower threshold as "expanding Citizens' eligibility criteria and thereby increasing its policy growth" and warned that it would place Citizens in more direct competition with the voluntary market. Staff

also raised concern that continued expansion could move Citizens toward the role of a private insurer competing for business and away from its traditional function as a government-controlled insurer of last resort.¹¹

That progression is significant. In the span of only a few months, the Legislature moved from an availability-based residual-market standard to an affordability standard allowing a 25 percent price differential, and then an even broader 15 percent threshold.

The policy question was no longer simply:

Can the private market insure this risk?

It became:

Can the private market insure this risk at a price sufficiently close to Citizens?

The Senate Banking and Insurance Committee understood the significance at the time. Its session summary stated explicitly that the legislation placed Citizens in more direct competition with the voluntary market and concluded that, together with the rating changes, the new structure was likely to increase Citizens' policy growth.¹²

2007: Competitive Pricing and the Rate Freeze

HB 1-A also fundamentally changed how Citizens' rates were established.

The Legislature removed the statutory requirement that Citizens' rates be noncompetitive with the voluntary market. The Senate summary states that the act deleted the requirement that Citizens' rates be noncompetitive and no lower than specified private insurer rate benchmarks.¹³

At the same time, the legislation rescinded previously approved January 2007 rate increases, returned Citizens policyholders to the lower rates in effect on December 31, 2006, and froze those rates except for decreases.

The interaction between those two policy changes is more important than either change viewed independently.

Once eligibility depends upon the difference between the Citizens premium and an available private-market premium, Citizens' own rate becomes the benchmark against which private-market eligibility is measured. If Citizens' rate is constrained while a private insurer must price for expected losses, reinsurance, capital, operating expenses, and other costs, the statutory price comparison can itself increase Citizens eligibility.

In other words, policy on rates does not merely determine how much a Citizens policyholder pays. When price is part of the eligibility standard, Citizens' rate also helps determine who may become a Citizens policyholder.

The Legislature also eliminated a 2006 requirement that Citizens price for sufficient reinsurance to cover specified probable maximum loss levels. Senate staff explained that Citizens, despite being subject to an actuarially sound rate standard, was not subject to the same solvency requirements imposed on private insurers, such as minimum surplus, restrictions on writings, or maintaining surplus and reinsurance sufficient to cover a 100-year probable maximum loss.¹⁴

That distinction remains relevant today. ‘Actuarially sound’ and ‘noncompetitive’ are not necessarily synonymous. A rate can be actuarially defensible within Citizens’ unique statutory financing structure and still provide Citizens with a price advantage over insurers required to finance catastrophe risk differently.

2008: Extending the Freeze—and Reconsidering the Mission

In 2008, the Legislature continued the rate restraint adopted the prior year. CS/CS/SB 2860 extended the freeze on Citizens rate increases so that actuarially sound increases would not begin before 2010.¹⁵

Yet the same legislation contains perhaps the clearest acknowledgement that the policy choices of the preceding years had moved Citizens away from its original role.

SB 2860 created the Citizens Property Insurance Corporation Mission Review Task Force and directed it to identify statutory and operational changes necessary to return Citizens to its former role as a “state-created, noncompetitive residual market mechanism” providing coverage to risks unable to obtain insurance in the private market.¹⁶

The Legislature directed the task force to examine, among other matters, private-market availability, the relationship between Citizens and private insurer rates, Citizens’ catastrophe exposure, its use of reinsurance, capital capacity, and the potential assessments required to finance deficits. In considering the relationship between Citizens and private insurer rates, the statute specifically directed consideration of Citizens’ role as a noncompetitive residual-market mechanism.¹⁷

The significance is difficult to miss. Only a year after the 2007 special session deliberately made Citizens more competitive, the Legislature formally began examining how to return it to the residual-market role it previously occupied.

2009: The Glide Path Toward Actuarially Sound Rates

The next corrective step came in 2009 with CS/CS/HB 1495.

Rather than immediately imposing the full actuarially indicated rate adjustment on Citizens policyholders after several years of frozen rates, the Legislature adopted an incremental approach.¹⁸ Beginning in 2010, Citizens was required to implement annual

rate increases capped at 10 percent for any individual policy, excluding coverage changes and surcharges, until actuarially sound rates were achieved. Once actuarially sound rates were implemented for a line of business, the statutory limitation was to cease.

The Senate’s 2009 session summary expressly called this mechanism a ‘glide path’ and described it as a 10-percent annual cap ‘until rates are actuarially sound.’ It also notes that the incremental approach was recommended by the Citizens Mission Review Task Force.¹⁹

That history is important because it establishes that the glide path had a destination.

It was designed to manage the transition from frozen rates to actuarially sound rates without imposing an abrupt increase on Citizens policyholders. It was not described as a permanent substitute for actuarially appropriate pricing.²⁰

Over time, the annual limitation was modified, and the current statute permits increases of up to 15 percent for affected policies. But the underlying structural question remains unresolved: what precisely constitutes the implementation of actuarially sound rates for purposes of ending the glide path?

A statewide line of business could theoretically be actuarially adequate in the aggregate while particular territories, policy forms, or risk classes remain materially below an actuarially appropriate level. Conversely, if actuarial adequacy is interpreted to require every individual policy to reach its indicated rate, a glide path could continue indefinitely.

A glide path is only a glide path if it eventually reaches its destination. Otherwise, it becomes a permanent rate cap.

The Noncompetitive Standard

The history of the noncompetitive requirement presents a related but distinct issue.

The original Citizens framework required rates to be both actuarially sound and noncompetitive. HB 1-A removed the noncompetitive requirement in 2007. The 2008 Mission Review Task Force was expressly charged with considering how to return Citizens to a noncompetitive residual-market role. The 2009 legislation began the transition toward actuarially sound rates but did not itself restore the broader noncompetitive pricing standard.

More recently, the Legislature restored language requiring Citizens’ rates to be noncompetitive with approved rates in the admitted voluntary market so that Citizens functions as a residual-market mechanism.²¹ The current statute therefore again recognizes two separate concepts: actuarial soundness and noncompetitive pricing.²²

This distinction is critical. A Citizens rate could be actuarially sound based on Citizens’ expected losses and unique financial

structure yet still compete aggressively with the voluntary market in a particular county, territory, or class of risk.

That possibility is not theoretical. Citizens' approved 2026 rates vary significantly by product and geography, including substantial decreases for homeowners multiperil coverage in several South Florida counties.²³ Those decreases may be entirely actuarially justified. The relevant statutory question is not whether Citizens should be prohibited from lowering a rate when the actuarial evidence supports a decrease. It is whether, after the decrease, the resulting rate is noncompetitive with available private-market coverage as the statute requires, and how that determination should be made.

The statute currently provides the objective—noncompetitive residual-market pricing—but does not provide policymakers, Citizens, or the Office of Insurance Regulation (OIR) with a more precise benchmark for determining when that objective has been achieved.

This becomes even more important because Citizens eligibility itself continues to depend in part upon relative price. If policymakers intend to allow Citizens rates to compete with private insurance, the logical counterweight is a stronger availability-based eligibility standard: consumers with reasonable admitted-market coverage available generally should not need access to the state's insurer of last resort. If policymakers retain price-based eligibility, however, the statutory requirement that Citizens remain noncompetitive must have objective and enforceable meaning.

Why Citizens Grew: Market Failure Compounded by Statutory Structure

Citizens' dramatic growth during Florida's recent property insurance crisis cannot be attributed to any single cause. Nor should the growth itself be viewed as evidence that Citizens failed to perform its statutory function. A residual-market insurer exists precisely because private insurance markets sometimes contract.

Florida experienced such a contraction.

Beginning well before Citizens reached its 2023 high-water mark, the state's residential property insurance market confronted a combination of extraordinary litigation costs, assignment-of-benefits abuse (AOB), adverse hurricane loss development, rising reinsurance costs, insurer insolvencies, and reductions in private-market writings. The Florida State University Catastrophic Storm Risk Management Center (The FSU Study), in a study commissioned by Citizens, had already identified many of these pressures in 2020. The report documented substantial growth in litigated claims and AOB involvement, along with insurer financial pressure and the increasing cost of reinsurance and capital.²⁴



Those conditions worsened in the years that followed. Insurers failed or reduced their Florida exposure, private capacity contracted, and policyholders increasingly had nowhere else to go. In those circumstances, Citizens' growth was not only understandable; it was necessary.

That distinction is important. A functioning residual market should expand when the voluntary market cannot meet demand. Florida should not design Citizens so rigidly that it cannot respond to insurer insolvencies, major hurricane losses, severe reinsurance disruption, or another hard market.

But market failure explains only part of Citizens' growth.

As discussed above, the statutory framework governing Citizens has also changed substantially since its creation. Price-based eligibility allows some consumers with available private-market coverage to qualify for Citizens, while statutory rate constraints could widen the difference between Citizens premiums and actuarially priced private-market premiums. Existing policyholders were, at various times, permitted to remain in Citizens despite available private offers. And the statutory meaning of both actuarially sound and noncompetitive pricing remains imperfectly defined.

The FSU study itself recognized this interaction. Reviewing Citizens' earlier expansion to more than 1.4 million policies and approximately 23 percent of the market in 2011, the researchers attributed that growth not only to hurricane losses and private insurer exposure reductions, but also to "legislative and administrative changes" that significantly altered Citizens' rates and access.²⁵

Market dysfunction caused Citizens to grow. Florida's statutory structure could allow that growth to become larger, faster, or more persistent than a strict insurer-of-last-resort model would require.

The policy challenge is therefore not to prevent Citizens from growing during the next hard market. It is to ensure that Citizens grows because private coverage genuinely is unavailable—not



because the state-supported insurer offers a more attractive price to risks the voluntary market is prepared to insure.

Florida's Recent Reforms Changed the Market

Florida policymakers responded to the deterioration of the property insurance market with a series of reforms enacted over several legislative sessions, culminating in major changes during 2022 and 2023.

Those reforms addressed multiple components of the insurance system. Earlier legislation began restricting abuses associated with AOB and claims litigation. During two special sessions in 2022, the Legislature enacted additional claims and litigation reforms, including significant changes to attorney-fee incentives. SB 2-A eliminated the property-insurance one-way attorney-fee framework and prohibited assignment of post-loss benefits under policies issued on or after January 1, 2023.²⁶ The following year, HB 837 made broader changes to Florida's civil litigation environment, including repeal of the one-way attorney-fee statute and adding limitations on contingency-fee multipliers.²⁷ OIR identifies SB 2-D, SB 2-A, HB 837, and related legislation as important components of the market stabilization that followed.²⁸

The magnitude of Florida's litigation problem before those reforms is difficult to overstate. In 2021, Florida accounted for only 6.91 percent of nationwide homeowners claims but 76 percent of homeowners lawsuits reported through the NAIC Market Conduct Annual Statement system. Preliminary 2025 data show Florida's shares falling to 4.85 percent of claims and 41.29 percent of suits.²⁹

Citizens' own experience reflects the same direction. The percentage of its personal residential non-catastrophe claims

involving litigation declined from 18.6 percent in 2018 and 15.1 percent in 2022 to 5.0 percent in 2025.³⁰

Litigation is not the only evidence of improvement.

OIR's July 2026 Insurer Stability Report describes continued market stabilization following the 2022 and 2023 reforms. Since those reforms, 21 new companies have been approved to write residential property insurance in Florida; another previously run-off company recapitalized and re-entered the market; and another insurer was acquired to expand its Florida footprint. Florida domestic property insurers collectively returned to positive net income in 2024, and in 2025 the domestic market posted a pooled combined ratio of 83 percent, its lowest in more than a decade.³¹

Pricing and reinsurance conditions have improved as well. OIR reports that, for residential policies effective in 2024 or later, 44 companies requested rate decreases and 48 requested no increase. Preliminary 2026 reinsurance data indicate declining risk-adjusted pricing across much of the market, with OIR describing abundant reinsurer capital, increased competition, and improved terms and conditions. Preliminary data also show nearly half of insurers included in OIR's Annual Reinsurance Data Call experiencing risk-adjusted pricing reductions of between 15 and 25 percent.³²

Perhaps most significantly, the deterioration in insurer solvency appears to have abated. OIR reports that no property and casualty insurer has been referred to the Department of Financial Services for delinquency proceedings since March 1, 2023.³³

These improvements should not be overstated. Florida remains the nation's most catastrophe-exposed property insurance market. Hurricanes will continue to affect capital, reinsurance, underwriting appetite, and rates. Market conditions can change quickly.

But the evidence establishes something much more modest—and more important for purposes of Citizens policy: private-market capacity has materially returned.

Citizens had 1,407,805 policies in force as of September 30, 2023. By June 5, 2026, Citizens reported 293,465 policies in force—the lowest level in 25 years. As of March 31, 2026, the voluntary market wrote 98.07 percent of homeowners policies, with Citizens accounting for only 1.93 percent.³⁴

That reduction has been driven in significant part by extraordinary depopulation activity as private insurers again became willing to assume Citizens' risks. For carriers to be successful in depopulation, they need to assume risks aligned with their business model and existing portfolio. This requires accurate policy-level data and effective policyholder communications throughout the depopulation process, which is managed in large part by Citizens' leadership and staff.

The result is precisely what Florida's recent reforms were intended to accomplish: not to eliminate Citizens, but to restore a private market capable of carrying the overwhelming majority of Florida's residential property risk.

A Smaller Citizens Is Not Necessarily a Residual Citizens

The dramatic decline in Citizens' policy count creates an understandable temptation to declare the Citizens problem solved.

That conclusion would confuse size with structure.

A Citizens with roughly 300,000 policies is unquestionably less financially consequential than a Citizens with more than 1.4 million policies. Lower policy count and insured value reduce catastrophe exposure and the potential assessment burden placed on Citizens policyholders and the broader insurance market. Successful depopulation should therefore be recognized as a major achievement.

But policy count alone does not determine whether Citizens is functioning as an insurer of last resort.

A residual-market structure is better evaluated by asking whether admitted private coverage is available to the risks Citizens insures; whether consumers with reasonable private-market offers remain eligible for Citizens; whether Citizens rates are actuarially appropriate; whether those rates are genuinely noncompetitive with the private market; whether the glide path functions as a transition or an indefinite rate limitation; and whether risks leave Citizens when private capacity becomes available.

Depopulation answers an important question: Can private insurers currently assume substantial portions of Citizens' book?

The recent answer is clearly yes.

But depopulation does not establish that every remaining Citizens policy lacks a private-market alternative. Takeout insurers select the risks they wish to assume, including risks for which the proposed private premium will satisfy statutory eligibility requirements. The resulting takeout population is therefore not a random

sample of Citizens' entire book and should not be used as a proxy for overall voluntary-market availability.

More fundamentally, depopulation reduces Citizens after policies have already entered the corporation. Structural policy determines who gets into Citizens in the first place, who may remain, how coverage is priced, and when an available private-market offer should make a risk ineligible.

That distinction matters because Florida has been here before. Citizens experienced extraordinary depopulation in earlier soft-market periods only to grow again when the private market later deteriorated. The FSU report documented, for example, that more than 40 percent of Citizens policies were removed in both 2014 and 2015.³⁵

Successful depopulation therefore does not eliminate the need to examine Citizens' statutory structure.

Depopulation impacts Citizens' size exclusively. Structural reform addresses the rules that influence how large Citizens becomes during the next hard market.

Catastrophe Risk and the Competitive Imbalance

Florida cannot evaluate competition between Citizens and the voluntary market solely by comparing premiums.

A private residential property insurer must maintain sufficient capital and catastrophe protection to satisfy regulators, rating agencies, reinsurers, lenders, and investors. Those costs are reflected in the price of private insurance.

Citizens operates differently.

Citizens is required to participate in the Florida Hurricane Catastrophe Fund and may purchase private reinsurance and access capital markets, but it also possesses extraordinary post-event financing authority unavailable to private insurers. If Citizens experiences a qualifying deficit after a catastrophe, Florida law permits assessments that ultimately spread portions of that cost beyond Citizens' own policyholders.³⁶

This structure is appropriate for an insurer of last resort. It ensures that Citizens retains the ability to pay claims even after an event severe enough to overwhelm its own ordinary insurance capacity.

But it also means a simple comparison between a Citizens premium and a private insurer's premium may not represent an economically equivalent comparison.

The issue is not whether Citizens should be required to replicate the precise reinsurance program of a particular private insurer. OIR evaluates catastrophe protection based upon company-specific financial condition, exposure, and reinsurance arrangements; its Annual Reinsurance Data Call examines insurers'

planned and actual reinsurance purchases and their catastrophe claims-paying ability.³⁷

The Legislature has already taken an important step toward addressing this difference. In 2022, SB 2-A restored the requirement that Citizens make its best efforts to purchase catastrophe reinsurance sufficient to cover its projected 100-year probable maximum loss. If that coverage is not available at reasonable rates, Citizens is not required to purchase it, but the law requires Citizens to include the cost of that reinsurance in its rate calculations even when the coverage is not purchased.³⁸

While the requirement appropriately recognizes that the cost of catastrophe risk does not disappear simply because Citizens has access to other financing mechanisms, it does not necessarily capture the full cost private insurers incur to transfer and finance catastrophe risk. Citizens' rates should account for the cost of catastrophe protection at a level comparable to what OIR expects financially sound private residential property insurers to maintain.

Otherwise, some of the apparent price difference between Citizens and a private insurer may reflect differences in how catastrophe risk is financed rather than a true difference in the cost of providing coverage.

That difference becomes particularly important when Citizens' own premium serves as the statutory benchmark for determining whether a private-market offer is sufficiently expensive to permit continued Citizens eligibility.

Why Now Is the Time

Florida policymakers have appropriately resisted making repeated major changes to the property insurance system before the reforms enacted in 2022 and 2023 had time to operate.

That restraint was warranted.

Insurance markets respond slowly to structural change. Litigation inventories must work through the courts. Insurers need credible loss experience. Capital providers and reinsurers need confidence that the legal environment will remain predictable. Rate changes take time to earn through books of business. Companies entering the state must build distribution and accumulate policies.

Florida has now had that time.

The available evidence indicates that the reforms are working. Litigation is declining. Financial performance has improved. Reinsurance conditions are favorable. New capital has entered the market. Private insurers are again assuming substantial Citizens exposure.³⁹

That makes this the appropriate time to examine Citizens again—not because the reforms failed, but because they succeeded.

Structural reform is most difficult when Citizens is at its largest. Tightening eligibility when more than 1.4 million policyholders depend on Citizens can displace consumers into a private market that may lack capacity to absorb them. Significant rate changes

during a market crisis immediately affect large numbers of households likely already facing affordability concerns. Policymakers understandably respond cautiously under those circumstances.

A smaller Citizens changes that equation.

Fewer policyholders are immediately affected. Private capacity is available. Changes can be phased in. Policymakers can address long-term market design rather than emergency market stabilization.

The time to reform Citizens is not when 1.4 million Floridians depend upon it. The time to reform Citizens is when the private market is healthy enough that they don't have to depend on it.

Recommendations

Citizens does not need to be redesigned from the ground up. The Legislature has already taken important steps to restore the private residential property insurance market and to move Citizens back toward its intended residual-market role. The remaining task is to align Citizens' eligibility, rates, and catastrophe-risk pricing more closely with that purpose.

1. Revisit Price-Based Eligibility

Citizens was originally designed to provide coverage when insurance could not be obtained in the voluntary market. Over time, that availability-based standard evolved into a price-based eligibility test that allows some consumers to obtain or retain Citizens coverage even when admitted private-market coverage is available.

Policymakers should consider further reducing, or ultimately eliminating, the affordability component of Citizens eligibility. As private-market capacity continues to improve, the availability of reasonable coverage from an authorized insurer should play a greater role in determining whether a risk remains eligible for the state-supported insurer of last resort.

Any change should be structured so that Citizens remains capable of responding when private insurance genuinely becomes unavailable. The goal is not to prevent Citizens from growing during the next hard market. It is to ensure that its growth reflects a lack of private-market capacity rather than a statutory price advantage over insurers willing to write the risk.

2. Reevaluate the Glide Path

The glide path was created to transition Citizens policyholders gradually from frozen rates toward actuarially sound pricing. It was not intended to operate as a permanent limitation on Citizens rates.

Policymakers should consider additional modifications to, or elimination of, the glide path for lines of business not yet deemed

to be actuarially sound. At a minimum, the statute should provide greater clarity regarding when the glide path has accomplished its intended purpose and should cease to constrain rates.

A transition mechanism that never reaches its destination can undermine the statutory requirement that Citizens maintain actuarially sound and noncompetitive rates.

3. Better Align Catastrophe-Risk Pricing with the Private Market

The Legislature took an important corrective step in SB 2-A by restoring the requirement that Citizens make its best efforts to purchase catastrophe reinsurance sufficient to cover its projected 100-year probable maximum loss and, when that coverage is not available at reasonable rates, include the cost of that reinsurance in its rate calculations.

That requirement should serve as the foundation for further alignment between Citizens and the private market.

Policymakers should consider whether Citizens should be required to purchase, or price for when not purchased, catastrophe-risk transfer at a level more comparable to the protection OIR expects financially sound private residential property insurers to maintain.

Citizens does not need to replicate the precise reinsurance program of any individual insurer. But its rates should reflect the economic cost of catastrophe risk in a manner that reduces the competitive advantage created when private insurers must finance and transfer that risk differently.

4. Give Meaning to the Noncompetitive Rate Requirement

Current law again requires Citizens' rates to be both actuarially sound and noncompetitive with approved rates in the admitted voluntary market. The statute, however, provides limited guidance regarding how noncompetitive pricing should be measured or applied.

Policymakers should clarify the factors Citizens and OIR must consider when determining whether Citizens' rates satisfy both requirements.

That analysis should recognize that actuarial soundness and noncompetitive pricing are related but distinct concepts. A rate may be actuarially justified based on Citizens' expected losses and statutory financing structure and still provide a material price advantage over private insurers serving the same market.

A clearer statutory standard would provide greater consistency for Citizens, OIR, private insurers, consumers, and policymakers and would help ensure that Citizens' pricing supports—rather than competes with—the voluntary market.

In defining the noncompetitive rate standard, policymakers should consider reinstating language from Citizens' original

statute. It required that for Citizens' average rates in each county, for each personal residential line excluding wind-only coverage, rates could be no lower than the highest county-average rate charged by any of the 20 largest insurers statewide for that line, measured by the preceding year's direct written premium. For mobile home rates, the five largest insurers were used instead.⁴⁰

Conclusion

Florida's recent property insurance recovery provides an opportunity that policymakers rarely have.

During a crisis, Citizens must be allowed to perform the function for which it was created. When insurers fail, capital retreats, reinsurance becomes constrained, or hurricanes disrupt the market, Citizens must be capable of expanding rapidly enough to ensure that Floridians can obtain coverage.

That role should not change.

But the history of Citizens demonstrates that the statutory rules governing eligibility and pricing also matter. Market failure caused Citizens to grow during Florida's insurance crises, but policy choices influenced how large it could become, how long policies could remain, and how directly Citizens could compete with insurers willing to provide coverage.

Florida has now substantially improved the conditions that produced the most recent crisis. Litigation has declined. Insurer financial performance has improved. Reinsurance conditions have strengthened. New capital has entered the state. Private insurers have absorbed hundreds of thousands of Citizens policies, reducing Citizens from more than 1.4 million policies to roughly 300,000.

That success should not be viewed as evidence that additional Citizens reform is unnecessary. It creates conditions in which thoughtful structural reform is possible.

The objective should not be to make Citizens smaller for the sake of making it smaller. Nor should policymakers weaken the financial tools that allow Citizens to function when the private market fails.

The objective should be more fundamental: Citizens should grow when private coverage genuinely is unavailable and contract when private capacity returns. Its eligibility rules should reinforce that purpose. Its rates should be actuarially sound and meaningfully noncompetitive. Its catastrophe-risk pricing should more closely reflect the economic costs borne by the private market.

Florida created Citizens to serve as the state's insurer of last resort. The reforms of recent years have helped restore the private market that makes that role possible. The next step is to ensure that Citizens' statutory structure once again matches it.

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