

March 18, 2024

Mr. Timothy M. Cerio
President/CEO and Executive Director
Citizens Property Insurance Corporation
P.O. Box 17219
Jacksonville, FL 32245-7219

Dear Mr. Cerio:

As you are certainly aware, Florida Governor Ron DeSantis told CNBC at the end of last month that Citizens Property Insurance Corporation “is not solvent.”¹ This is, of course, difficult to reconcile with your assurance to me in December 2023 that “Florida law provides a framework to ensure that Citizens remains solvent.”² Given Governor DeSantis’s statement and your deficient response to my prior letter, my concerns about Citizens’ solvency remain. Accordingly, I ask that you adequately address them, and I renew all requests for information and documents set out in my prior letter.

On November 20, 2023, I sent you a letter requesting information and documents concerning Citizens’ plans to address increased underwriting losses from climate-related extreme weather events and other disasters such as tropical cyclones, intense precipitation events, droughts, heatwaves, sea level rise, and wildfires. The letter specifically set out my concerns about Florida’s uniquely large and growing exposure to climate-related property losses, Citizens’ rapidly expanding market share, and state law allowing Citizens to levy special assessments on all policyholders in the event that losses exceed its ability to pay. I noted that, if Citizens were unable to cover its losses, it is entirely possible that state leaders might ask the federal government for a bailout. Accordingly, I requested information and documents responsive to seven specific questions about Citizens’ storm exposure, risk modeling, possible need for a federal bailout, and discussions with relevant state leaders about those subjects. I also requested communications and documents sufficient to back up your responses to those questions.

Your December 15, 2023, letter did little to address my questions and concerns. In noting that “Florida law provides a framework to ensure that Citizens remains solvent,” you simply explained what I already understood to be true: “if Citizens were to pay out all reserves and reinsurance following a major storm or series of disasters and there is a deficit, . . . Citizens

¹ Jessica Bruno, “Gov. Ron DeSantis calls Citizens Property Insurance ‘not solvent’ in CNBC interview,” *WPTV* (Feb. 28, 2024), <https://www.wptv.com/money/real-estate-news/gov-ron-desantis-calls-citizens-property-insurance-not-solvent-in-cnbc-interview>.

² Letter from T. Cerio to S. Whitehouse (Dec. 15, 2023).

would be required by Florida law to levy surcharges on its policyholders and assessments on other Florida insurance consumers until the deficit is eliminated.”³ But you said nothing to address my concerns that, should a major storm hit Florida and require exorbitant levies, Florida residents might be unwilling or unable to pay them, leading to further financial risks both to Florida and, possibly, the federal government.

To be sure, my concerns that Florida might seek assistance from the federal government are grounded in history. In 2008, a few years after the devastating 2004-2005 hurricane season in Florida, state senators introduced legislation encouraging the U.S. Congress to assume responsibility, at least in part, for increasing insurance risks in disaster-prone areas.⁴ Florida Senate bill SM 2452, for example, urged the U.S. Congress to create a National Catastrophe Insurance Program; among other things, such a program would have established a “national catastrophe financing mechanism that would provide risk management and financing for megacatastrophes.”⁵ Some U.S. legislators also introduced similar bills.⁶ Read in that context, Governor DeSantis’s recent confirmation that Citizens “is not solvent” and comment that “we can’t have millions of people on [Citizens], because if a storm hits, it’s going to cause problems for the state”⁷ only bring further urgency to these concerns. Several news stories since my November 30 letter indicating that Citizens has begun offloading hundreds of thousands of policies—often its least risky policies—to private insurers do the same.⁸

The bottom line is that, according to Florida’s own governor, Citizens faces a major solvency crisis and would be unable to pay out all claims and expenses should a major storm hit Florida. This would, in turn, create the risk that Florida could seek a bailout from the U.S. government, further tapping into federal resources.

In your response to my November 30 letter, you also did not address in any way questions four through seven, and you did not provide documents or communications in response to any question. Consistent with Committee practice, my staff followed up with your staff twice—once on December 19, 2023, and again on January 5, 2024—to request a briefing with

³ *Id.*

⁴ See Florida Senate, National Catastrophe Insurance Program, SB 2452 (2008 Sess.), <https://www.flsenate.gov/Session/Bill/2008/2452>; Florida Senate, Professional State of the Banking and Insurance Committee, “Bill Analysis and Fiscal Impact Statement” (Mar. 20, 2008), https://www.flsenate.gov/Session/Bill/2008/2452/Analyses/20082452SBI_2008s2452.bi.pdf.

⁵ *Id.*

⁶ See, e.g., U.S. House of Representatives, Homeowners’ Defense Act of 2007, H.R. 3355 (110th Cong., 2007), <https://www.congress.gov/bill/110th-congress/house-bill/3355/related-bills?s=4&r=1>.

⁷ Bruno, *supra* note 1.

⁸ See, e.g., Mika Pangilinan, “Florida’s insurer of last resort to continue offloading policies in 2024,” *Insurance Business Magazine* (Jan. 29, 2024), <https://www.insurancebusinessmag.com/us/news/breaking-news/floridas-insurer-of-last-resort-to-continue-offloading-policies-in-2024-474732.aspx>; Brianna Sacks, “How ‘cherry-picking’ policies let one insurer win big in Florida’s insurance crisis,” *Washington Post* (Dec. 30, 2023), <https://www.washingtonpost.com/climate-environment/2023/12/30/florida-insurance-citizens-slide/>.

relevant Citizens employees to discuss the company's response and additional steps.⁹ Citizens ignored both emails. I renew my request for cooperation.

Finally, I note that, as a public entity in Florida, Citizens is generally subject to the Florida Sunshine Law, which broadly states that "all state, county, and municipal records are open for personal inspection and copying by any person" and that "[p]roviding access to public records is a duty of each agency."¹⁰ Citizens' own website makes clear that it was "created by the Florida Legislature in August 2002 as a not-for-profit, tax-exempt, government entity."¹¹ The statute governing Citizens equally makes clear that Citizens is subject to the record retention provisions of the Sunshine Law, with limited exceptions.¹²

For all these reasons, I hereby renew all the requests for information and documents set out in my November 30 letter. Please provide full and complete responses to the questions set out in my letter dated November 30, 2023, by no later than March 28, 2024. Please also schedule a briefing with the Majority Staff to take place no later than March 22, 2024, by calling (202) 224-0642. Thank you for your attention to this important issue.

Sincerely,



Sheldon Whitehouse
Chairman
Senate Committee on the Budget

⁹ Email from Senate Budget Committee Majority Oversight Director & Senior Counsel to B. Walker (Dec. 19, 2023); Email from Senate Budget Committee Majority Oversight Director & Senior Counsel to B. Walker (Jan. 6, 2024).

¹⁰ Fla. Stat. § 119.01(1); *see generally* Fla. Stat. § 119.01 *et seq.*

¹¹ Citizens Property Insurance Corporation, Governance, <https://www.citizensfla.com/-/content-policies-and-statutes#:~:text=Citizens%20was%20created%20by%20the.coverage%20in%20the%20private%20market> (visited Mar. 13, 2024).

¹² *See* Fla. Stat. §§ 627.351(6)(j), 627.351(6)(x)(1).