

2011 Operating Budget

Citizens Property Insurance Corporation



Board of Governors

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Citizens Property Insurance Corporation

Board of Governors Meeting

December 14-15, 2010

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Our Vision

We aspire to be responsive stewards of the public trust, setting the standard for courteous, prompt and professional customer service, operational efficiency and fiscal responsibility. We strive to be an important insurance safety net for Floridians and to earn respect as a valuable partner in protecting Florida's economic health.

Our Mission

Our mission is to serve the people of Florida by providing property and casualty insurance protection and superior customer service.

Our Values

In accomplishing our mission, we embrace the following values:

- **Public Service:** We are committed to provide the highest quality of service to benefit the citizens of Florida.
- **Integrity:** We will demonstrate steadfast adherence to our values and ethical code of conduct.
- **Respect:** We will reflect genuine honor and respect for one another and those we serve.
- **Courtesy:** We will exhibit well-mannered behavior and politeness in everything we do.
- **Responsiveness:** We will perform with an appropriate sense of urgency and flexibility.
- **Fairness:** Our overriding culture is to always do the right thing.

Citizens Corporate Goals

- **Goal One:** Provide outstanding policyholder service and support through a strong customer service culture
- **Goal Two:** Develop superior claims and underwriting operations
- **Goal Three:** Ensure strong corporate governance and fiscal prudence
- **Goal Four:** Expand and strengthen recruiting, education and development programs for staff
- **Goal Five:** Ensure appropriate capability and reliability of business systems

To: Members, Board of Governors

From: Scott Wallace, President/CEO and Executive Director

Date: December 1, 2010

Re: Proposed 2011 Citizens Property Insurance Corporation Budget



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I am pleased to recommend the accompanying 2011 budget, submitted for Board of Governors approval in accordance with Section 7(A)(8) of Citizens' Plan of Operation. The senior management team prepared and reviewed this proposed budget and believes it represents a reasonable projection of our 2011 operations.

As a government entity, Citizens is committed to function as a responsive steward of the public trust while ensuring quality customer service and operational efficiencies. Within this context, preparation of the 2011 budget demanded that Citizens' senior management confront the following challenges, which we view as opportunities to demonstrate our commitment to earn the public trust:

- Economic conditions in Florida impact the whole of our state – both individuals and organizations. As a result, our responsibility to be conservative with planned initiatives and expenditures are proportionately heightened.
- Prevailing conditions within Florida's private property insurance market spawned unplanned growth during 2010. By year-end, Citizens' policy count is expected to be 25% above the level planned within the current year budget. As we estimate that growth in policy count and premium will continue during 2011, our plan must include appropriate preparations for the resulting increased demand on Citizens' resources.
- Citizens remains dedicated to continuous improvement of our operational effectiveness and efficiency – striving to accomplish more with less. Such ambitious goals place demands on each member of Citizens' team. It also requires that we equip our team with systems and tools to reach our goals.

Clearly, these conflicting considerations create a challenging environment to construct a responsive operational and financial plan. Citizens' management team responded by crafting a plan that is respectful of economic conditions, acknowledges market conditions, and supports continuous improvement.

During 2010 policy counts have risen approximately 25% of planned levels, while projected administrative expenses are expected to be 13% below budgeted amounts. This demonstrates our commitment to cost control efforts. The proposed 2011 budget similarly acknowledges our fiduciary responsibility to carefully manage the cost of the public service we provide to Floridians.

The proposed 2011 budget was prepared assuming no catastrophic event. However, to provide for contingent hurricane activity during 2011, separate budgets assuming varying levels of catastrophic loss were also prepared and a Contingency Income Statement is included in your materials.

In addition, management will make a recommendation to the Board of Governors regarding the Information Technology policy and claims systems strategy during the first quarter of 2011. The 2011 budget proposal includes several schedules (pp. 34-37) indicating budget totals - both with and without - the projected costs associated with the first year. Please note that the more significant costs associated with a systems change would not be incurred in 2011, but rather in 2012.

As Citizens serves as an alternative market to Floridians who may not otherwise be able to secure available coverage, the organization must have the ability to scale to business volume increases and decreases. This includes planning for policyholder and agent service levels as well as managing employee headcount. Management has carefully considered an appropriate blend of internal and external resources required to fulfill Citizens' goals and objectives.

The projected 2010 income statement demonstrates management's continued efforts toward cost control. It is clear when comparing the projected 2010 income statement to the budgeted 2010 income statement that management uses only those resources required and does not spend to budget but instead spends to actual need.

Citizens continues to mature as a corporation and grow stronger, with an enhanced and more seasoned workforce focused on continuous customer service improvements, stronger internal controls and appropriate corporate governance. With the support of the Board, we will be able to achieve our mission to efficiently provide property insurance protection to our fellow Floridians.

Respectfully submitted,



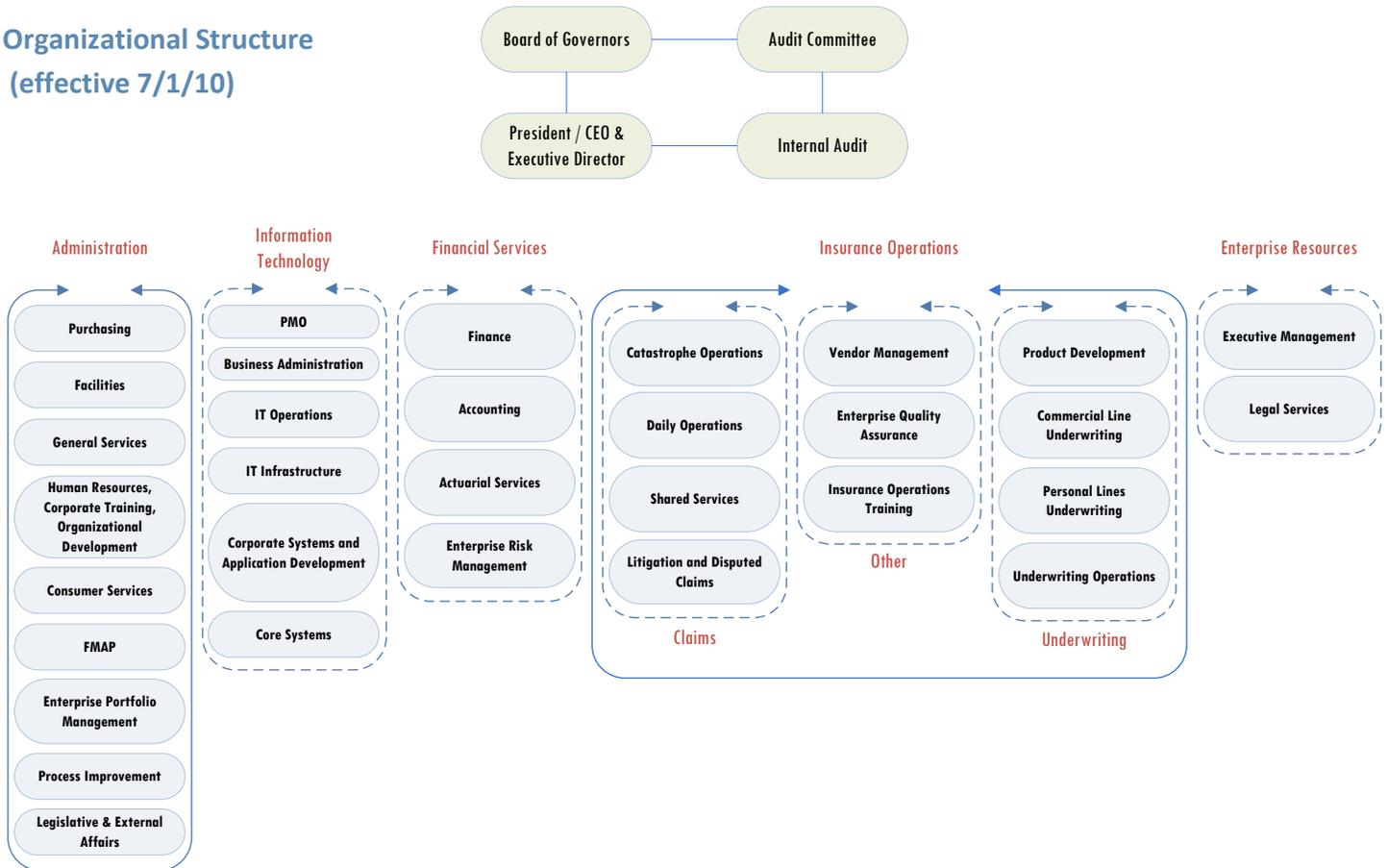
Scott Wallace

President/CEO and Executive Director

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- Inspection & Outreach Program
- Core Insurance Systems Strategy Implementation & Related Pre-Requisite Projects
- Portal Replacement Strategy
- Additional Consumer Self-Service Capability
- Strengthen Insurance Operations Outsourcing Scalability
- Implementation of Resources & Tools to improve efficiency, customer service and technical file quality
- Maximize the capabilities of the ITV (Insured-to-Value) tools acquired during 2010
- Tallahassee Office Space
- Enterprise Vendor Management Strategy
- Business Continuity Migration – Implementation Strategy
- Process and Security Considerations for Agency access to Systems
- 2011 Rating Initiatives
- Enterprise Quality Reporting Assessment
- Business Intelligence Strategy
- Continuation of the Enterprise Information Management Program
- Long Term Data Center Facilities

Organizational Structure (effective 7/1/10)



Staffing Plan

Citizens' position management systems have implemented the use of FTE's (Full-time Equivalents) for tracking position and staff counts. This methodology more accurately reflects the human resource allocations associated with a mixture of part-time, full-time, and shared positions.

Full-time Equivalents	2011 Budget	2010 Projected	2010 Budget	2009 Actual
Total CPIC FTE's	1,272	1,214	1,293	1,164
Enterprise Resources	39	35	39	38
Administration	388	387	389	356
Insurance Operations	502	461	520	458
Financial Services	103	99	92	94
Information Technology	240	231	253	218

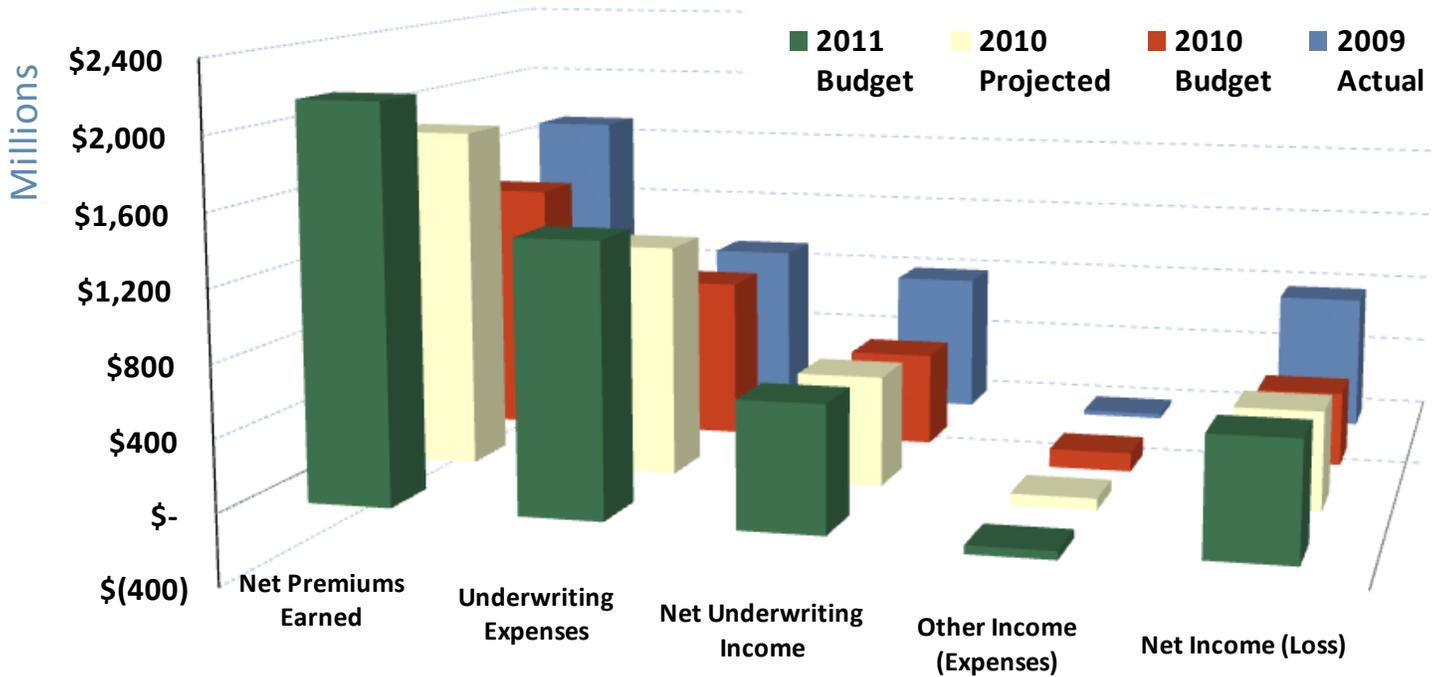
I	Premium Calculation	CLA	PLA	HRA	TOTAL
A	Total Written Premiums	\$248,561,123	\$1,487,833,629	\$1,299,190,317	\$3,035,585,070
B	Policies In-Force (PIF):				
	as of: 12/31/2010	8,803	802,047	447,216	1,258,066
	as of: 12/31/2011	9,045	967,866	472,087	1,448,998
	Total policy count change, net of depopulation	242	165,819	24,871	190,932
C	Additional premium resulting from inspections	\$1,160,370	\$10,174,763	\$7,862,070	\$19,197,203
D	Depopulation:				
	Ceded premium %	-	50%	50%	
	Ceded commission %	-	16%	16%	
	Quantity of policies depopulated		33,500	4,500	38,000
	Average written premium of depopulated policies		\$1,573	\$1,858	
	Total ceded premium of depopulated policies	\$0	\$26,355,623	\$3,540,308	\$29,895,930
E	FHCF Premium	\$40,965,492	\$137,734,711	\$274,086,012	\$452,786,215
F	Private Reinsurance (Traditional/Alternative)	\$0	\$0	\$125,000,000	\$125,000,000
II	Loss Calculation	CLA	PLA	HRA	TOTAL
A	Ratios:				
	Loss Ratio (percent of direct premiums earned)	19.90%	50.00%	11.60%	30.97%
	LAE Ratio (percent of losses)	18.40%	16.90%	18.10%	17.17%
III	Other Underwriting Expense	CLA	PLA	HRA	TOTAL
A	Producer Commissions as percentage of direct written premium (DWP)	11.67%	7.23%	9.50%	8.83%
B	Taxes and Assessments (% DWP)	1.65%	1.62%	1.40%	1.53%
IV	Administrative and Other Expense	CLA	PLA	HRA	TOTAL
A	Allocation Percentages				
	Administrative Expenses allocation to account	13.98%	46.89%	39.13%	100.00%
	Administrative Expenses PLA / CLA allocation	14.31%	85.69%		100.00%
V	Other Income and Expense	CLA	PLA	HRA	TOTAL
A	Investment Return	APR			
	Operating	0.3000%			
	Managed	0.7000%			
	Tax Exempt	0.5000%			
B	Interest Expense	Effective Rate			
	Bond Series (2007A)	3.8944%			
	Bond Series (2008A-1)	4.3700%			
	Bond Series (2009A-1)	5.3074%			
	Bond Series (2010A-1)	3.8248%			
	Bond Series (2010A-2)	1.2800%			
	Bond Series (2010A-3)	2.1500%			

I	Premium Calculation	CLA	PLA	HRA	TOTAL
A	Total Written Premiums	\$207,284,206	\$1,238,653,262	\$1,142,715,589	\$2,588,653,057
B	Policies In-Force (PIF):				
	as of: 12/31/2009	9,126	609,652	410,436	1,029,214
	as of: 12/31/2010	8,803	802,047	447,216	1,258,066
	Total policy count change, net of depopulation	-323	192,395	36,780	228,852
C	Depopulation:				
	Ceded premium %	-	50%	50%	
	Ceded commission %	-	12%	12%	
	Quantity of policies depopulated		69,590	2,688	72,278
	Average written premium of depopulated policies		\$1,720	\$1,556	
	Total ceded premium of depopulated policies	\$0	\$59,855,029	\$2,311,975	\$62,167,003
D	FHCF Premium	\$35,826,796	\$91,016,218	\$253,686,028	\$380,529,042
E	Private Reinsurance (Traditional/Alternative)	\$0	\$0	\$0	\$0
II	Loss Calculation	CLA	PLA	HRA	TOTAL
A	Ratios:				
	Loss Ratio (percent of direct premiums earned)	32.50%	52.00%	12.00%	28.57%
	LAE Ratio (percent of losses)	13.90%	16.30%	17.40%	13.67%
III	Other Underwriting Expense	CLA	PLA	HRA	TOTAL
A	Producer Commissions as percentage of direct written premium (DWP)	11.67%	7.23%	9.50%	8.83%
B	Taxes and Assessments (% DWP)	1.65%	1.62%	1.40%	1.53%
IV	Administrative and Other Expense	CLA	PLA	HRA	TOTAL
A	Allocation Percentages				
	Administrative Expenses allocation to account (Taken from 9/30/09 D16)	13.98%	46.89%	39.13%	100.00%
	Administrative Expenses PLA / CLA allocation	22.98%	77.02%		100.00%
V	Other Income and Expense	CLA	PLA	HRA	TOTAL
A	Investment Return	APR			
	Operating	0.6000%			
	Managed	0.6000%			
	Tax Exempt	0.5000%			
B	Interest Expense	Effective Rate			
	Bond Series (2007A)	3.8835%	through 3/1/10		
	Bond Series (2007A)	3.4878%	through 3/1/11		
	Bond Series (2008A)	5.0000%			
	Bond Series (2009A)	4.6686%	through 6/1/2010		
	Bond Series (2009A)	5.3074%	through 6/1/2012		
	Bond Series (2010A)	3.7500%			
C	Financing Costs				
	Line of Credit		\$400,000,000		\$400,000,000
	New Debt			\$2,400,000,000	\$2,400,000,000
	Estimated Cost of Issuance			\$15,592,685	\$15,592,685

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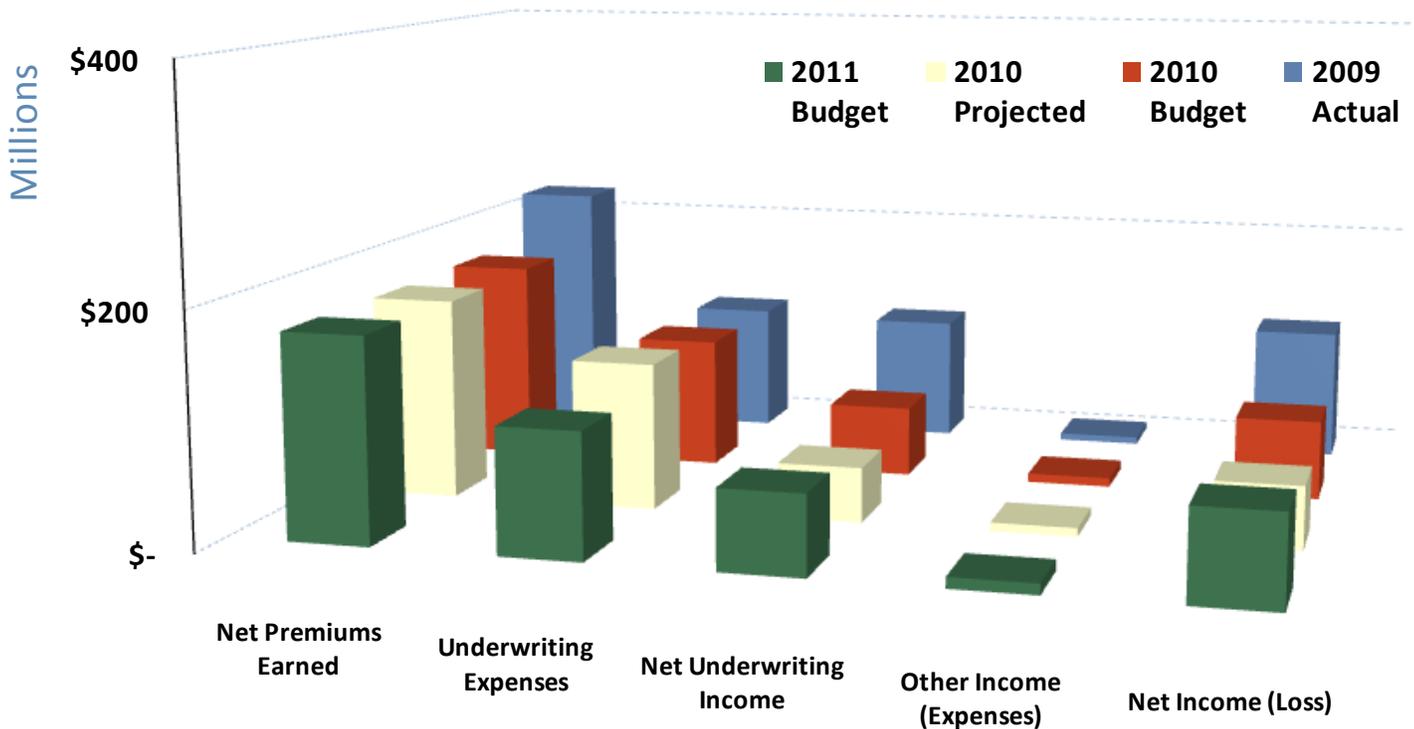
**Board of Governors Meeting
December 14-15, 2010**





Income Statement	2011 Budget	% DWP	2010 Projected	% DWP	2010 Budget	% DWP	2009 Actual	% DWP
Net Premiums Earned	\$ 2,166,306,995	71.4%	\$ 1,883,603,666	72.8%	\$ 1,415,766,228	61.8%	\$ 1,711,428,652	78.5%
Underwriting Expenses	1,479,294,884	48.7%	1,277,103,553	49.3%	896,416,090	39.1%	921,756,679	42.3%
Net Underwriting Income	687,012,111	22.6%	606,500,112	23.4%	519,350,138	22.7%	789,671,974	36.2%
Other Income (Expenses)	(46,706,572)	-1.5%	(65,133,305)	-2.5%	(106,792,898)	-4.7%	(25,904,318)	-1.2%
Net Income (Loss)	\$ 640,305,539	21.1%	\$ 541,366,808	20.9%	\$ 412,557,240	18.0%	\$ 763,767,655	35.0%

	2011 Budget	% Chg	% DWP	2010 Projected	% Chg	2010 Budget	% Chg	2009 Actual	% DWP
Premiums									
Direct Earned Premiums	2,789,521,137	19.01%	91.9%	2,343,906,239	9.57%	2,139,278,010	-11.24%	2,410,297,544	110.5%
Ceded Earned Premiums	(623,214,142)	-35.39%	-20.5%	(460,302,573)	38.15%	(723,511,782)	-3.53%	(698,868,892)	-32.0%
Net Earned Premiums	2,166,306,995	15.01%	71.4%	1,883,603,666	33.04%	1,415,766,228	-17.28%	1,711,428,652	78.5%
Underwriting Expense									
Losses Incurred	863,957,796	15.74%	28.5%	746,433,284	84.57%	404,420,199	-18.95%	498,999,125	22.9%
Loss Adjustment Expense	148,343,472	22.14%	4.9%	121,455,117	119.63%	55,298,849	-32.67%	82,130,067	3.8%
Servicing Carrier Fees	8,815,216	-13.66%	0.3%	10,210,473	-24.10%	13,452,368	60.48%	8,382,509	0.4%
Producer Commissions	260,000,535	16.96%	8.6%	222,302,679	8.60%	204,693,655	9.14%	187,558,044	8.6%
Ceding Commissions	(4,783,349)	35.88%	-0.2%	(7,460,040)	33.13%	(11,156,068)	30.39%	(16,026,432)	-0.7%
Taxes & Assessments	46,392,827	17.50%	1.5%	39,484,391	-6.90%	42,410,515	32.75%	31,948,027	1.5%
Administrative Expenses	136,434,741	5.75%	4.5%	129,013,027	-13.00%	148,293,597	23.14%	120,423,724	5.5%
Other Underwriting Expense	18,539,302	31.20%	0.6%	14,130,236	-62.17%	37,352,112	433.47%	7,001,681	0.3%
Other Processing Expenses	1,594,344	3.91%	0.1%	1,534,387	-7.06%	1,650,864	23.20%	1,339,934	0.1%
Total Underwriting Expenses	1,479,294,884	15.83%	48.7%	1,277,103,553	42.47%	896,416,090	-2.75%	921,756,679	42.3%
Net Underwriting Income	687,012,111	13.27%	22.6%	606,500,112	16.78%	519,350,138	-34.23%	789,671,974	36.2%
Other Income (Expenses)									
Investment Income - Net	61,042,221	-4.20%	2.0%	63,715,563	10.35%	57,737,795	-37.91%	92,994,852	4.3%
Interest Expense - Net	(163,010,848)	1.42%	-5.4%	(165,364,576)	-7.10%	(154,401,555)	-34.08%	(115,160,455)	-5.3%
L.O.C. Fees & Notes Issued Cost	-	100.00%	-	(17,926,018)	-25.07%	(14,333,333)	34.90%	(22,017,542)	-1.0%
Take-out Bonuses	-	0.00%	-	-	0.00%	-	-100.00%	10,232,195	0.5%
Assessment Income	49,690,342	0.00%	1.6%	49,690,342	100.00%	-	0.00%	-	-
Other Income and Expense	5,571,713	17.27%	0.2%	4,751,385	13.02%	4,204,196	-47.75%	8,046,633	0.4%
Total Other Income (Expense)	(46,706,572)	28.29%	-1.5%	(65,133,305)	39.01%	(106,792,898)	-312.26%	(25,904,318)	-1.2%
Net Income (Loss)	\$ 640,305,539	18.28%	21.1%	\$ 541,366,808	31.22%	\$ 412,557,240	-45.98%	\$ 763,767,655	35.0%
Policies in Force	1,448,998	15.18%		1,258,066	23.51%	1,018,598	-1.03%	1,029,214	
Policies Serviced	1,486,998	11.78%		1,330,344	17.88%	1,128,598	-4.26%	1,178,859	



Income Statement	2011 Budget	% DWP	2010 Projected	% DWP	2010 Budget	% DWP	2009 Actual	% DWP
Net Premiums Earned	\$ 175,757,022	70.7%	\$ 174,088,966	84.0%	\$ 175,527,298	60.6%	\$ 222,350,078	95.7%
Underwriting Expenses	107,447,225	43.2%	126,861,637	61.2%	114,108,843	39.4%	113,273,993	48.7%
Net Underwriting Income	68,309,797	27.5%	47,227,329	22.8%	61,418,454	21.2%	109,076,085	46.9%
Other Income (Expenses)	9,466,251	3.8%	7,284,088	3.5%	7,677,226	2.6%	6,018,918	2.6%
Net Income (Loss)	\$ 77,776,047	31.3%	\$ 54,511,416	26.3%	\$ 69,095,680	23.8%	\$ 115,095,004	49.5%

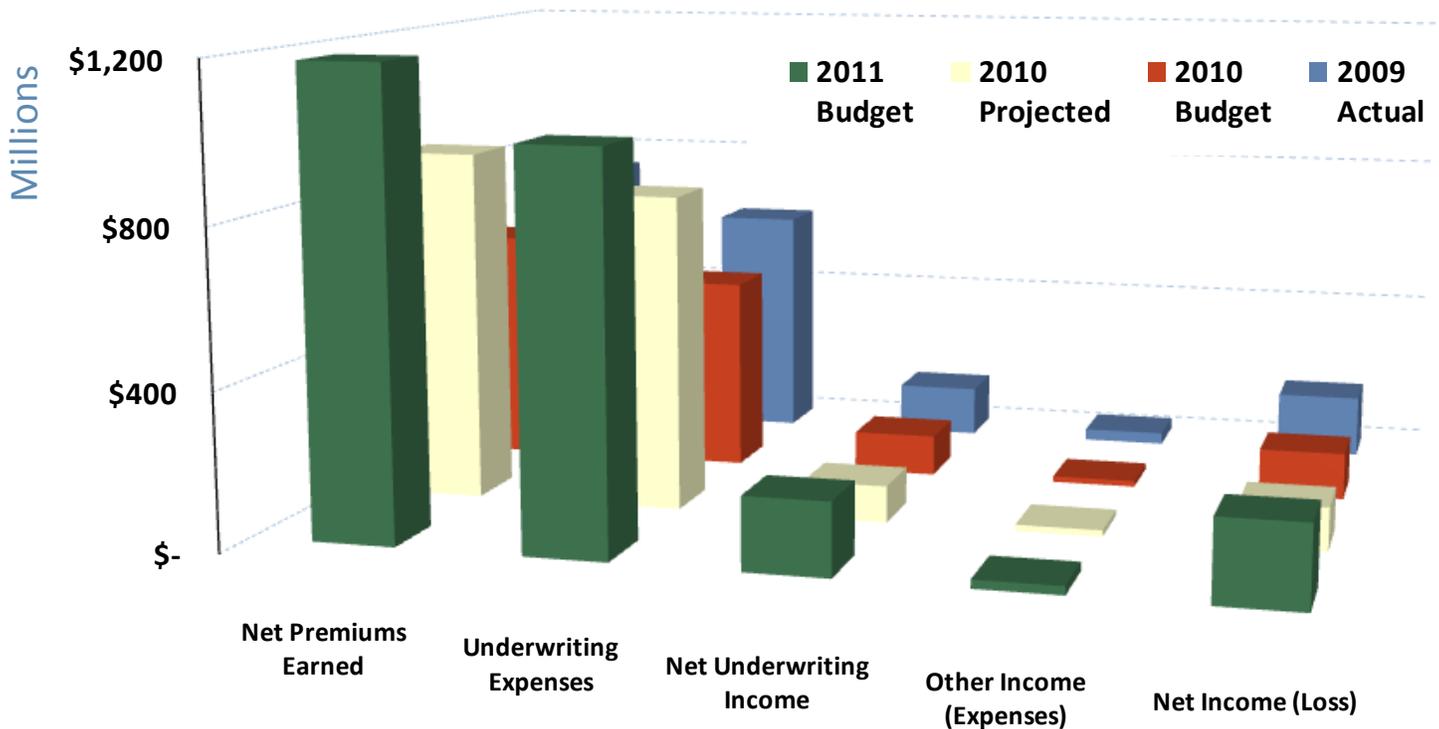
2011

Budgeted Statement of Operations

Operating Budget

Commercial Lines Account (CLA)

	2011 Budget	% Chg	% DWP	2010 Projected	% Chg	2010 Budget	% Chg	2009 Actual	% DWP
Premiums									
Direct Earned Premiums	216,722,514	3.24%	87.2%	209,915,762	-9.98%	233,177,957	-13.81%	270,535,240	116.4%
Ceded Earned Premiums	(40,965,492)	-14.34%	-16.5%	(35,826,796)	37.86%	(57,650,659)	-19.64%	(48,185,162)	-20.7%
Net Earned Premiums	175,757,022	0.96%	70.7%	174,088,966	-0.82%	175,527,298	-21.06%	222,350,078	95.7%
Underwriting Expense									
Losses Incurred	43,127,781	-36.78%	17.4%	68,222,622	59.29%	42,828,660	-23.08%	55,677,265	24.0%
Loss Adjustment Expense	7,935,510	-16.32%	3.2%	9,482,945	23.01%	7,709,159	-8.85%	8,457,855	3.6%
Servicing Carrier Fees	-	0.00%	-	-	0.00%	-	100.00%	(14,768)	-0.0%
Producer Commissions	29,007,083	19.91%	11.7%	24,190,067	-28.09%	33,638,208	23.73%	27,187,440	11.7%
Ceding Commissions	-	0.00%	-	-	0.00%	-	-100.00%	11,732	0.0%
Taxes & Assessments	4,101,260	19.91%	1.7%	3,420,188	-41.34%	5,830,585	55.50%	3,749,505	1.6%
Administrative Expenses	19,073,577	5.75%	7.7%	18,036,021	-13.00%	20,731,438	37.45%	15,082,832	6.5%
Other Underwriting Expense	2,607,670	32.01%	1.0%	1,975,407	14.85%	1,719,929	-9.05%	1,891,090	0.8%
Other Processing Expenses	1,594,344	3.91%	0.6%	1,534,387	-7.06%	1,650,864	34.10%	1,231,042	0.5%
Total Underwriting Expenses	107,447,225	-15.30%	43.2%	126,861,637	11.18%	114,108,843	0.74%	113,273,993	48.7%
Net Underwriting Income	68,309,797	44.64%	27.5%	47,227,329	-23.11%	61,418,454	-43.69%	109,076,085	46.9%
Other Income (Expenses)									
Investment Income - Net	9,010,025	21.11%	3.6%	7,439,825	-3.15%	7,681,596	7.18%	7,166,810	3.1%
Interest Expense - Net	-	0.00%	-	-	0.00%	-	0.00%	-	-
L.O.C. Fees & Notes Issued Cost	-	100.00%	-	(536,200)	0.00%	(536,200)	72.83%	(1,973,727)	-0.8%
Take-out Bonuses	-	0.00%	-	-	0.00%	-	0.00%	-	-
Assessment Income	-	0.00%	-	-	0.00%	-	0.00%	-	-
Other Income and Expense	456,226	19.91%	0.2%	380,463	-28.46%	531,830	-35.60%	825,835	0.4%
Total Other Income (Expense)	9,466,251	29.96%	3.8%	7,284,088	-5.12%	7,677,226	27.55%	6,018,918	2.6%
Net Income (Loss)	\$ 77,776,047	42.68%	31.3%	\$ 54,511,416	-21.11%	\$ 69,095,680	-39.97%	\$ 115,095,004	49.5%
Policies in Force	9,045	2.75%		8,803	0.13%	8,792	-3.66%	9,126	
Policies Serviced	9,045	2.75%		8,803	0.13%	8,792	-3.66%	9,126	



Income Statement	2011 Budget	% DWP	2010 Projected	% DWP	2010 Budget	% DWP	2009 Actual	% DWP
Net Premiums Earned	\$ 1,186,910,020	79.8%	\$ 908,244,200	73.3%	\$ 610,809,480	70.5%	\$ 746,976,524	81.4%
Underwriting Expenses	1,001,043,519	67.3%	814,209,272	65.7%	504,218,052	58.2%	615,165,458	67.0%
Net Underwriting Income	185,866,501	12.5%	94,034,928	7.6%	106,591,429	12.3%	131,811,066	14.4%
Other Income (Expenses)	22,344,980	1.5%	16,208,202	1.3%	15,204,581	1.8%	30,287,466	3.3%
Net Income (Loss)	\$ 208,211,481	14.0%	\$ 110,243,130	8.9%	\$ 121,796,009	14.1%	\$ 162,098,532	17.7%

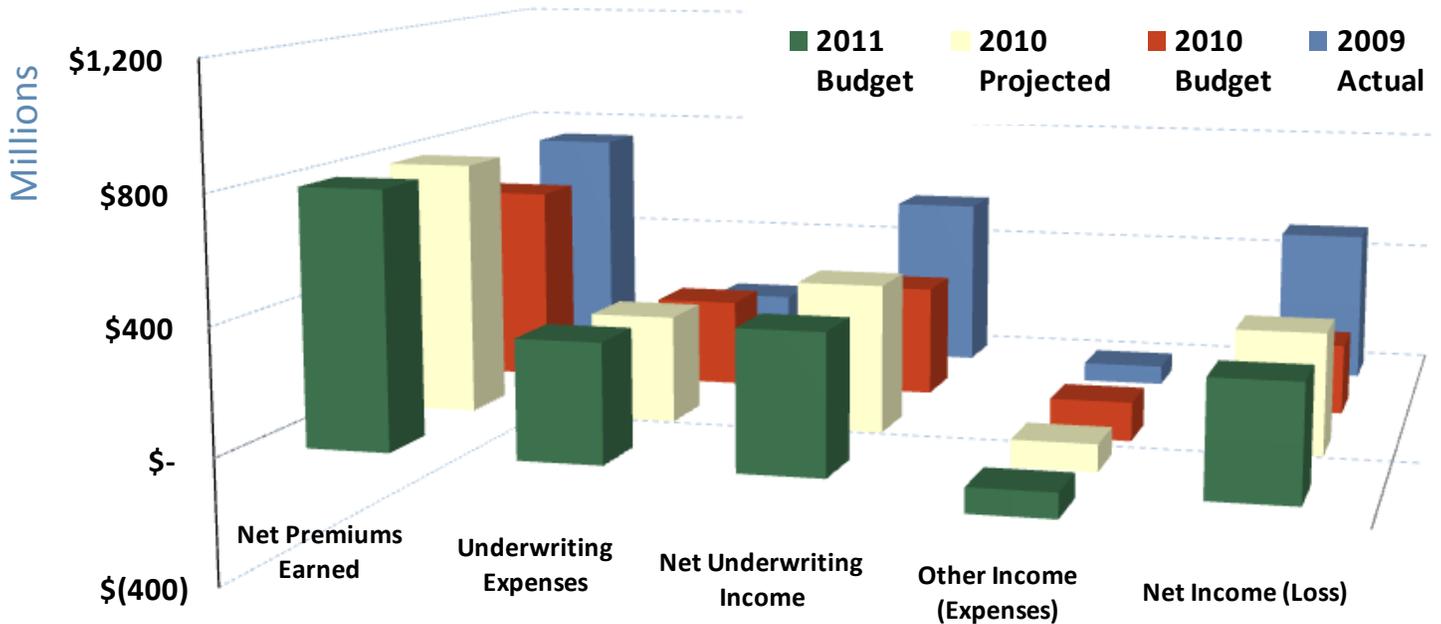
2011

Budgeted Statement of Operations

Operating Budget

Personal Lines Account (PLA)

	2011 Budget	% Chg	% DWP	2010 Projected	% Chg	2010 Budget	% Chg	2009 Actual	% DWP
Premiums									
Direct Earned Premiums	1,360,378,579	28.91%	91.4%	1,055,329,507	24.99%	844,299,143	-18.55%	1,036,568,585	113.0%
Ceded Earned Premiums	(173,468,560)	-17.94%	-11.7%	(147,085,307)	37.01%	(233,489,663)	19.37%	(289,592,061)	-31.6%
Net Earned Premiums	1,186,910,020	30.68%	79.8%	908,244,200	48.70%	610,809,480	-18.23%	746,976,524	81.4%
Underwriting Expense									
Losses Incurred	680,189,291	23.95%	45.7%	548,771,345	82.98%	299,907,454	-28.31%	418,317,302	45.6%
Loss Adjustment Expense	114,951,990	28.51%	7.7%	89,449,730	122.58%	40,187,599	-35.45%	62,261,148	6.8%
Servicing Carrier Fees	5,855,366	-8.94%	0.4%	6,430,111	-24.10%	8,471,715	16.83%	7,251,221	0.8%
Producer Commissions	107,570,371	20.12%	7.2%	89,554,631	39.70%	64,103,530	0.78%	63,608,019	6.9%
Ceding Commissions	(4,216,900)	41.29%	-0.3%	(7,182,603)	22.68%	(9,289,184)	34.41%	(14,163,473)	-1.5%
Taxes & Assessments	24,102,902	20.12%	1.6%	20,066,183	17.44%	17,086,432	23.89%	13,791,896	1.5%
Administrative Expenses	63,974,250	5.75%	4.3%	60,494,208	-13.00%	69,534,892	13.61%	61,205,430	6.7%
Other Underwriting Expense	8,616,248	30.04%	0.6%	6,625,668	-53.39%	14,215,614	391.22%	2,893,914	0.3%
Other Processing Expenses	-	0.00%	-	-	0.00%	-	0.00%	-	-
Total Underwriting Expenses	1,001,043,519	22.95%	67.3%	814,209,272	61.48%	504,218,052	-18.04%	615,165,458	67.0%
Net Underwriting Income	185,866,501	97.66%	12.5%	94,034,928	-11.78%	106,591,429	-19.13%	131,811,066	14.4%
Other Income (Expenses)									
Investment Income - Net	19,614,112	24.68%	1.3%	15,731,829	2.08%	15,411,202	-34.56%	23,551,406	2.6%
Interest Expense - Net	-	0.00%	-	-	0.00%	-	0.00%	-	-
L.O.C. Fees & Notes Issued Cost	-	100.00%	-	(1,797,133)	0.00%	(1,797,133)	73.32%	(6,736,455)	-0.7%
Take-out Bonuses	-	0.00%	-	-	0.00%	-	-100.00%	10,232,195	1.1%
Assessment Income	-	0.00%	-	-	0.00%	-	0.00%	-	-
Other Income and Expense	2,730,868	20.12%	0.2%	2,273,506	42.94%	1,590,512	-50.91%	3,240,320	0.4%
Total Other Income (Expense)	22,344,980	37.86%	1.5%	16,208,202	6.60%	15,204,581	-49.80%	30,287,466	3.3%
Net Income (Loss)	\$ 208,211,481	88.87%	14.0%	\$ 110,243,130	-9.49%	\$ 121,796,009	-24.86%	\$ 162,098,532	17.7%
Policies in Force	967,866	20.67%		802,047	32.11%	607,117	-0.42%	609,652	
Policies Serviced	1,001,366	14.88%		871,637	25.03%	697,117	-6.11%	742,455	



Income Statement	2011 Budget	% DWP	2010 Projected	% DWP	2010 Budget	% DWP	2009 Actual	% DWP
Net Premiums Earned	\$ 803,639,954	61.9%	\$ 801,270,500	70.1%	\$ 629,429,450	55.5%	\$ 742,102,050	72.0%
Underwriting Expenses	370,804,140	28.5%	336,032,644	29.4%	278,089,194	24.5%	193,317,228	18.7%
Net Underwriting Income	432,835,814	33.3%	465,237,856	40.7%	351,340,256	31.0%	548,784,822	53.2%
Other Income (Expenses)	(78,517,803)	-6.0%	(88,625,595)	-7.8%	(129,674,704)	-11.4%	(62,210,703)	-6.0%
Net Income (Loss)	\$ 354,318,011	27.3%	\$ 376,612,262	33.0%	\$ 221,665,552	19.5%	\$ 486,574,119	47.2%

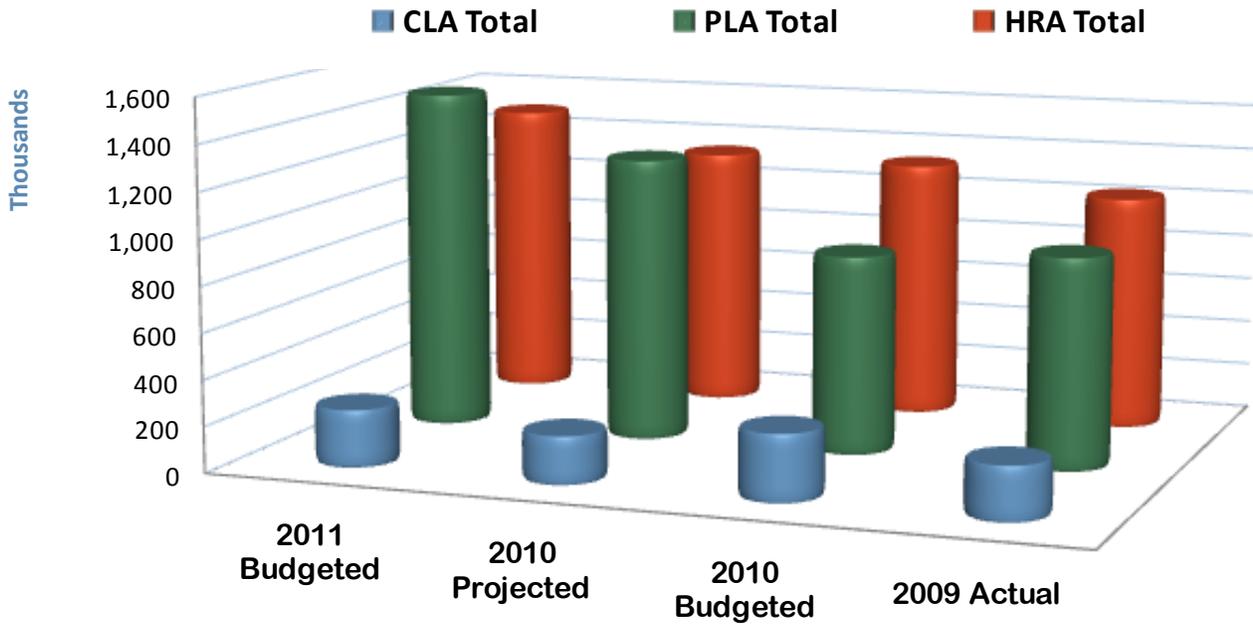
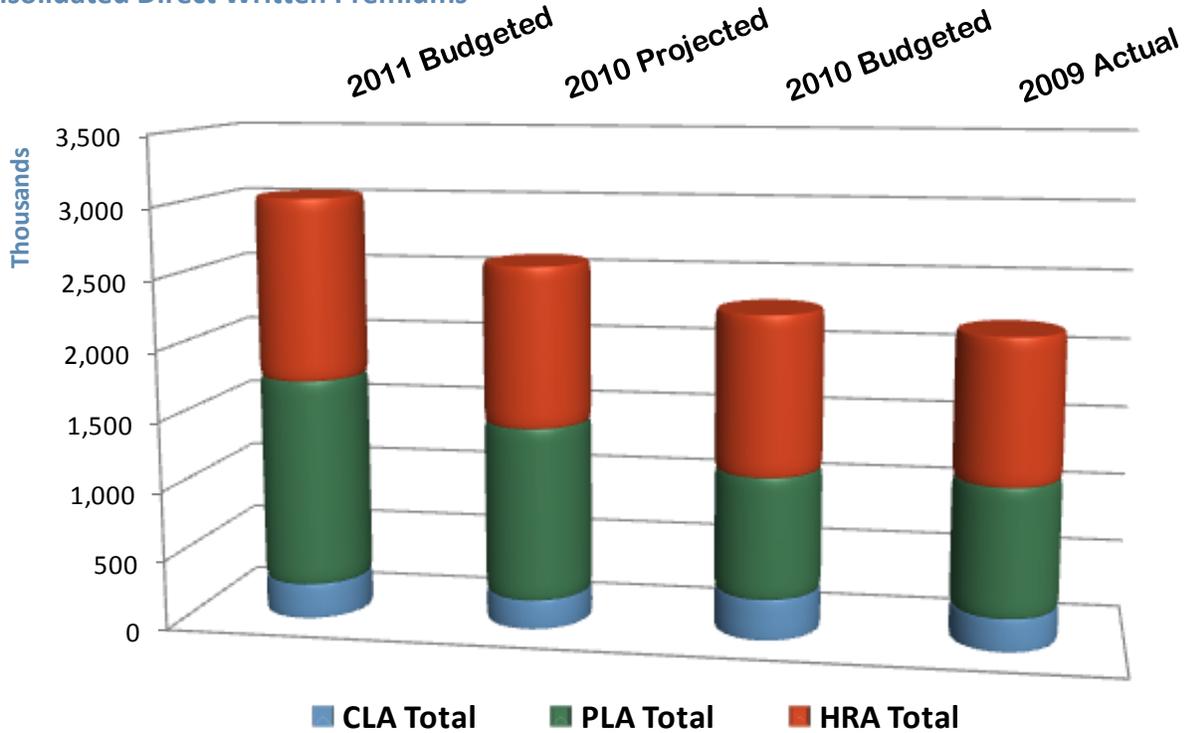
	2011 Budget	% Chg	% DWP	2010 Projected	% Chg	2010 Budget	% Chg	2009 Actual	% DWP
Premiums									
Direct Earned Premiums	1,212,420,044	12.40%	93.3%	1,078,660,970	1.59%	1,061,800,909	-3.75%	1,103,193,719	107.0%
Ceded Earned Premiums	(408,780,090)	-47.37%	-31.5%	(277,390,470)	35.84%	(432,371,459)	-19.74%	(361,091,669)	-35.0%
Net Earned Premiums	803,639,954	0.30%	61.9%	801,270,500	27.30%	629,429,450	-15.18%	742,102,050	72.0%
Underwriting Expense									
Losses Incurred	140,640,724	8.65%	10.8%	129,439,317	109.84%	61,684,085	146.69%	25,004,559	2.4%
Loss Adjustment Expense	25,455,972	13.02%	2.0%	22,522,442	204.27%	7,402,091	-35.13%	11,411,063	1.1%
Servicing Carrier Fees	2,959,850	-21.70%	0.2%	3,780,362	-24.10%	4,980,653	334.59%	1,146,055	0.1%
Producer Commissions	123,423,080	13.69%	9.5%	108,557,981	1.50%	106,951,917	10.53%	96,762,585	9.4%
Ceding Commissions	(566,449)	-104.17%	-0.0%	(277,437)	85.14%	(1,866,884)	0.42%	(1,874,690)	-0.2%
Taxes & Assessments	18,188,665	13.69%	1.4%	15,998,020	-17.93%	19,493,498	35.31%	14,406,625	1.4%
Administrative Expenses	53,386,914	5.75%	4.1%	50,482,797	-13.00%	58,027,266	31.48%	44,135,461	4.3%
Other Underwriting Expense	7,315,384	32.31%	0.6%	5,529,161	-74.18%	21,416,569	866.16%	2,216,677	0.2%
Other Processing Expenses	-	0.00%	-	-	0.00%	-	-100.00%	108,892	0.0%
Total Underwriting Expenses	370,804,140	10.35%	28.5%	336,032,644	20.84%	278,089,194	43.85%	193,317,228	18.7%
Net Underwriting Income	432,835,814	-6.96%	33.3%	465,237,856	32.42%	351,340,256	-35.98%	548,784,822	53.2%
Other Income (Expenses)									
Investment Income - Net	32,418,084	-20.04%	2.5%	40,543,909	17.03%	34,644,997	-44.37%	62,276,636	6.0%
Interest Expense - Net	(163,010,848)	1.42%	-12.5%	(165,364,576)	-7.10%	(154,401,555)	-34.08%	(115,160,455)	-11.2%
L.O.C. Fees & Notes Issued Cost	-	100.00%	-	(15,592,685)	-29.94%	(12,000,000)	9.82%	(13,307,360)	-1.3%
Take-out Bonuses	-	0.00%	-	-	0.00%	-	0.00%	-	-
Assessment Income	49,690,342	0.00%	3.8%	49,690,342	0.00%	-	0.00%	-	-
Other Income and Expense	2,384,620	13.69%	0.2%	2,097,416	0.75%	2,081,854	-47.70%	3,980,477	0.4%
Total Other Income (Expense)	(78,517,803)	11.41%	-6.0%	(88,625,595)	31.66%	(129,674,704)	-108.44%	(62,210,703)	-6.0%
Net Income (Loss)	\$ 354,318,011	-5.92%	27.3%	\$ 376,612,262	69.90%	\$ 221,665,552	-54.44%	\$ 486,574,119	47.2%
Policies in Force	472,087	5.56%		447,216	11.06%	402,689	-1.89%	410,436	
Policies Serviced	476,587	5.93%		449,904	6.44%	422,689	-1.07%	427,278	

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**Board of Governors Meeting
December 14-15, 2010**



Consolidated Direct Written Premiums

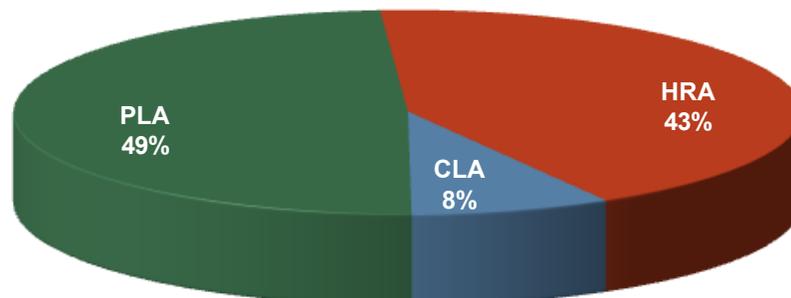


Direct Written Premiums by Account

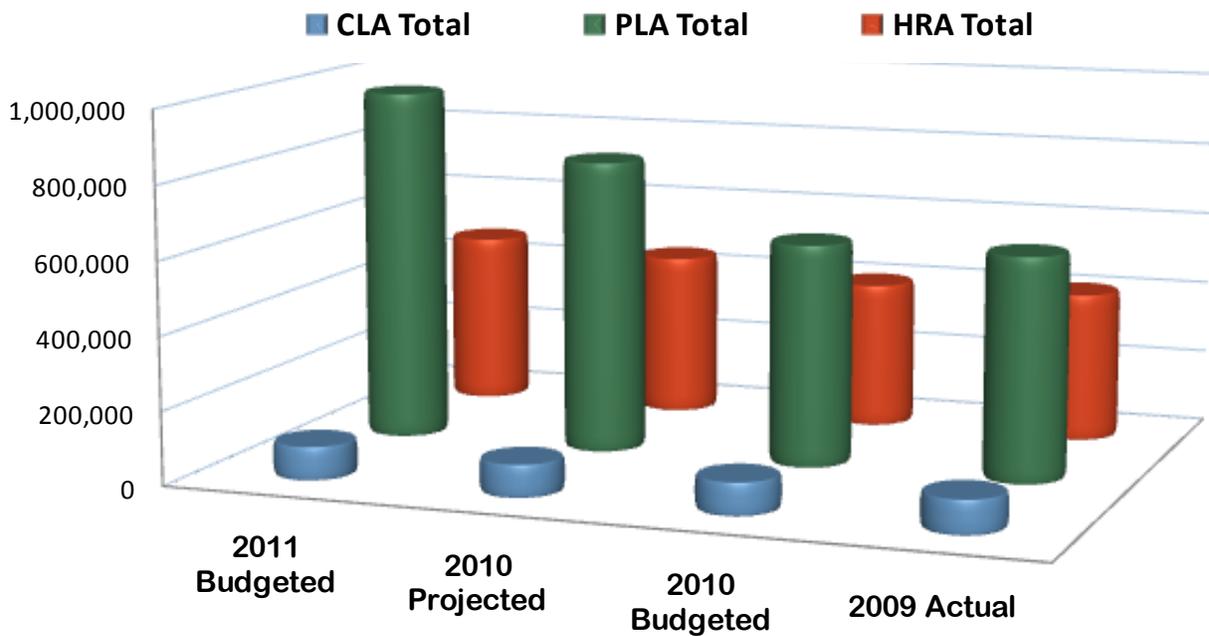
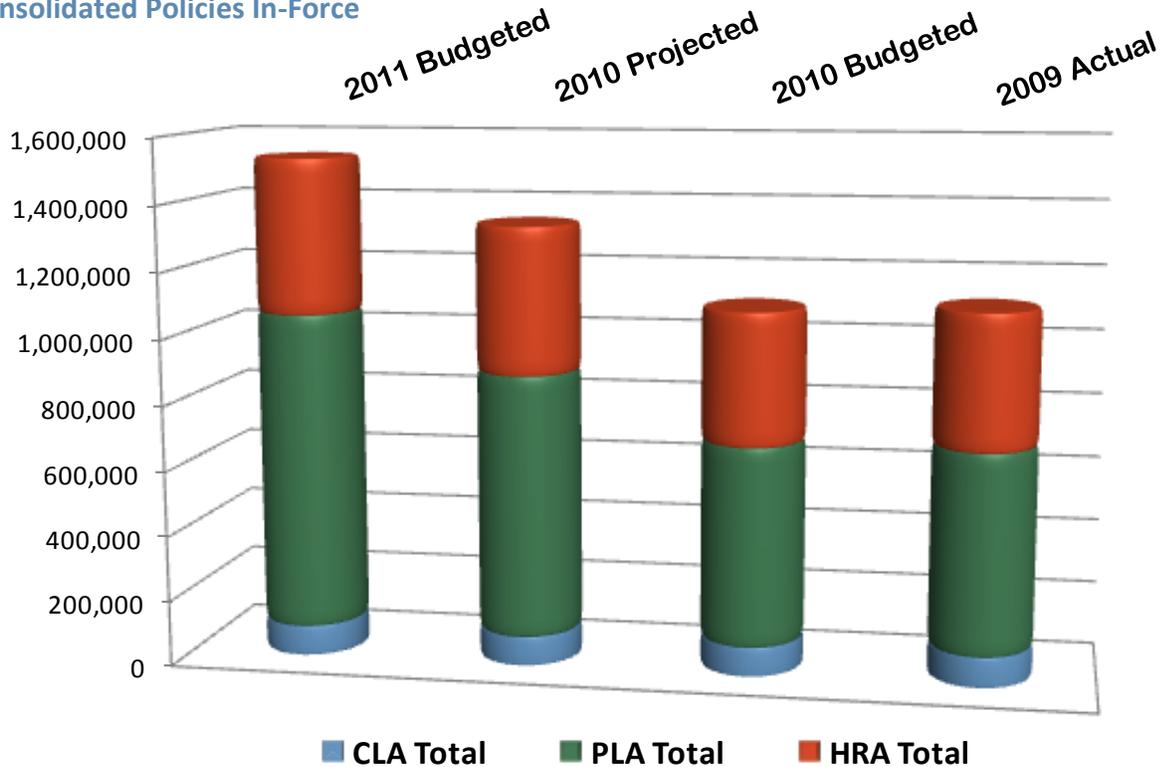
Direct Written Premium (Thousands)

Policy Forms	CLA	PLA	HRA	Direct Written
	Total	Total	Total	Premium Total
PR-M (DP-1)	\$ -	\$ 29,766	\$ 4,860	\$ 34,626
PR-M (DP-3)	-	279,562	66,324	345,886
PR-M (HO-3)	-	958,236	188,653	1,146,889
PR-M (HO-4)	-	3,273	1,383	4,656
PR-M (HO-6)	-	30,555	26,118	56,672
PR-M (MDP-1)	-	73,175	2,174	75,348
PR-M (MHO-3)	-	102,874	5,301	108,175
PR-M (MHO-4)	-	219	16	235
PR-W (HW-2)	-	-	403,778	403,778
PR-W (HW-4)	-	-	438	438
PR-W (HW-6)	-	-	38,921	38,921
PR-M (DW-2)	-	-	39,380	39,380
PR-W (MD-1)	-	-	563	563
PR-W (MW-2)	-	-	6,305	6,305
PR-W (MW-4)	-	-	-	0
CR-M	240,517	-	90,917	331,434
CNR-M	6,884	-	2,482	9,366
CR-W	-	-	315,466	315,466
CNR-W	-	-	98,250	98,250
Inspection	1,160	10,175	7,862	19,197
2011 Budgeted	248,561	1,487,834	1,299,190	3,035,585
2010 Projected	207,284	1,238,653	1,142,716	2,588,653
2010 Budgeted	289,752	866,544	1,134,237	2,290,533
2009 Actual	232,381	917,524	1,031,378	2,181,283

2011 Direct Written Premiums



Consolidated Policies In-Force



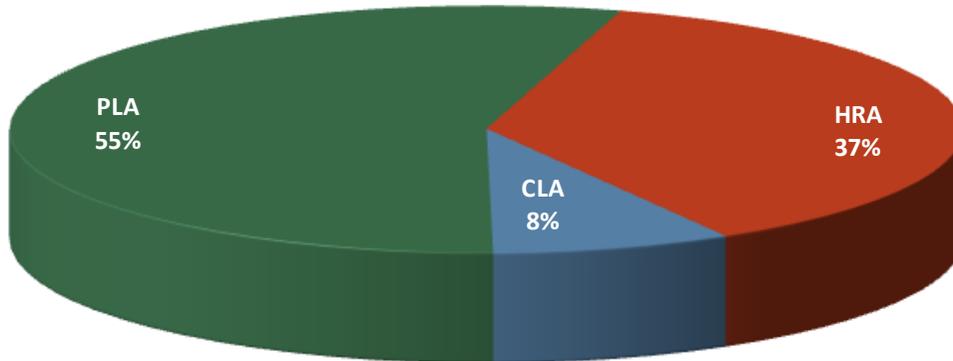
Policies In-Force by Account

Policies Serviced and In-Force

Policy Forms	CLA	PLA	HRA	Total Policies
	Total	Total	Total	Serviced
PR-M (DP-1)	-	35,137	4,722	39,859
PR-M (DP-3)	-	211,842	42,763	254,605
PR-M (HO-3)	-	466,867	70,594	537,461
PR-M (HO-4)	-	14,582	3,805	18,387
PR-M (HO-6)	-	66,765	34,057	100,822
PR-M (MDP-1)	-	122,243	2,732	124,975
PR-M (MHO-3)	-	83,019	3,951	86,970
PR-M (MHO-4)	-	911	53	964
PR-W (HW-2)	-	-	176,773	176,773
PR-W (HW-4)	-	-	1,553	1,553
PR-W (HW-6)	-	-	50,924	50,924
PR-M (DW-2)	-	-	29,962	29,962
PR-W (MD-1)	-	-	813	813
PR-W (MW-2)	-	-	7,672	7,672
PR-W (MW-4)	-	-	-	-
CR-M	7,885	-	862	8,747
CNR-M	1,160	-	232	1,392
CR-W	-	-	14,763	14,763
CNR-W	-	-	30,356	30,356
2011 Budgeted	9,045	1,001,366	476,587	1,486,998
Assumed	-	(33,500)	(4,500)	(38,000)
In-Force (PIF)	9,045	967,866	472,087	1,448,998
2010 Projected	8,803	871,637	449,904	1,330,344
Assumed	-	(69,590)	(2,688)	(72,278)
In-Force (PIF)	8,803	802,047	447,216	1,258,066
2010 Budgeted	8,792	697,117	422,689	1,128,598
Assumed	-	(90,000)	(20,000)	(110,000)
In-Force (PIF)	8,792	607,117	402,689	1,018,598
2009 Actual	9,126	742,455	427,278	1,178,859
Assumed	-	(132,803)	(16,842)	(149,645)
In-Force (PIF)	9,126	609,652	410,436	1,029,214

Net Earned Premiums

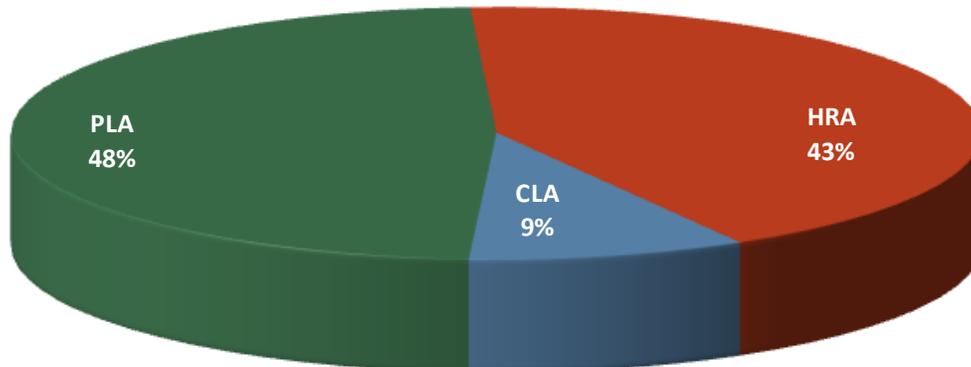
2011 Budget



	CLA	PLA	HRA	2011 Budget
Direct Earned Premiums	\$ 216,722,514	\$ 1,360,378,579	\$ 1,212,420,044	2,789,521,137
Ceded Earned Premiums	\$ (40,965,492)	\$ (173,468,560)	\$ (408,780,090)	(623,214,142)
Net Earned Premiums	<u>\$ 175,757,022</u>	<u>\$ 1,186,910,020</u>	<u>\$ 803,639,954</u>	<u>2,166,306,995</u>
	8%	55%	37%	100%

Net Earned Premiums

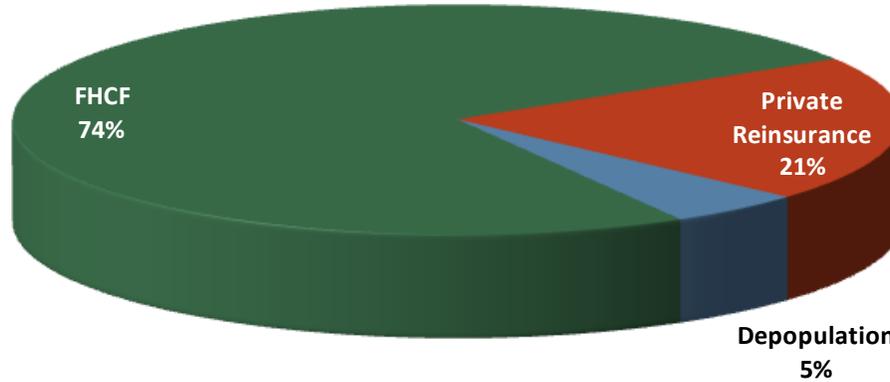
2010 Projected



	CLA	PLA	HRA	2010 Projected
Direct Earned Premiums	\$ 209,915,762	\$ 1,055,329,507	\$ 1,078,660,970	2,343,906,239
Ceded Earned Premiums	\$ (35,826,796)	\$ (147,085,307)	\$ (277,390,470)	(460,302,573)
Net Earned Premiums	<u>\$ 174,088,966</u>	<u>\$ 908,244,200</u>	<u>\$ 801,270,500</u>	<u>1,883,603,666</u>
	9%	48%	43%	100%

Ceded Written Premiums

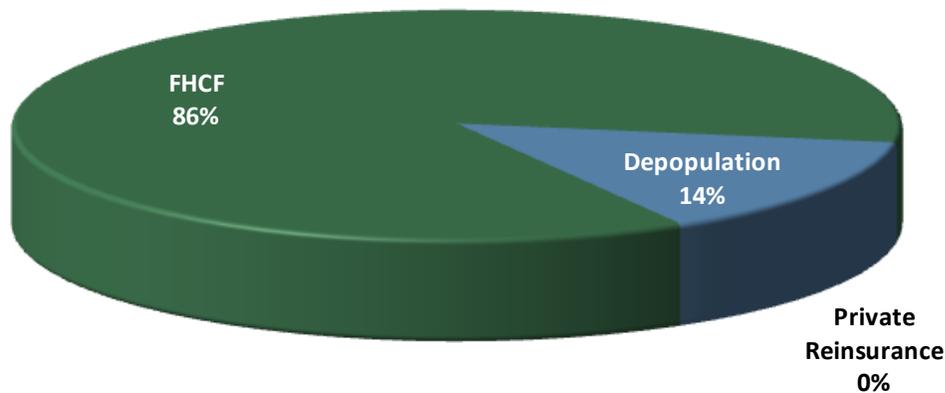
2011 Budget



Ceded Written Premiums	CLA	PLA	HRA	2011 Budget	
FHCF	\$ 40,965,492	\$ 137,734,711	\$ 274,086,012	\$ 452,786,215	74.5%
Private Reinsurance	-	-	125,000,000	125,000,000	20.6%
Depopulation	-	26,355,623	3,540,308	29,895,930	4.9%
Total	\$ 40,965,492	\$ 164,090,334	\$ 402,626,320	\$ 607,682,145	100.0%
	7%	27%	66%	100%	

Ceded Written Premiums

2010 Projected

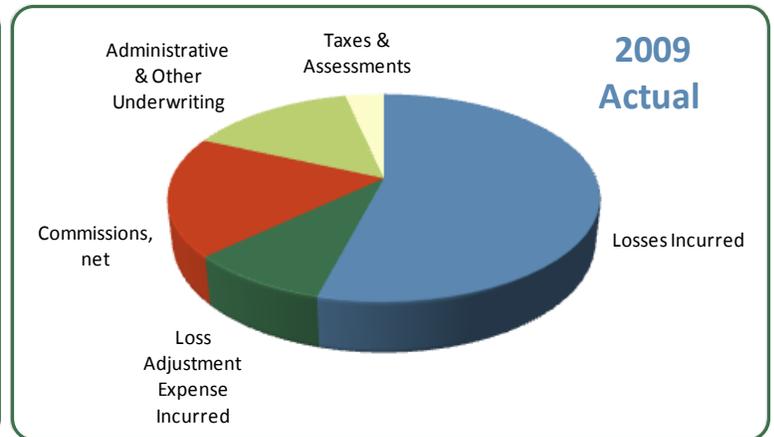
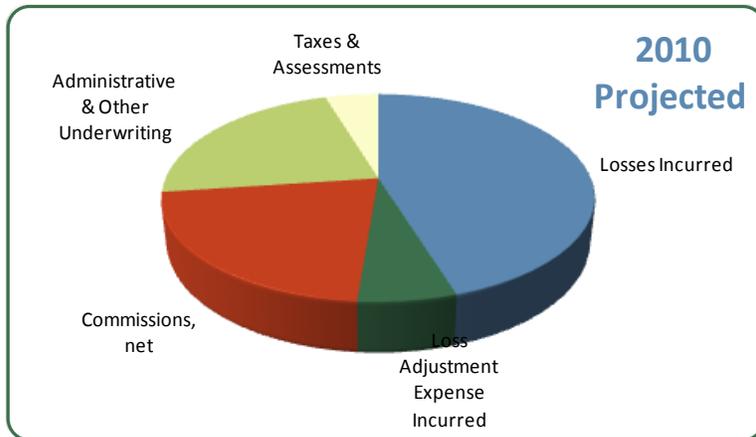
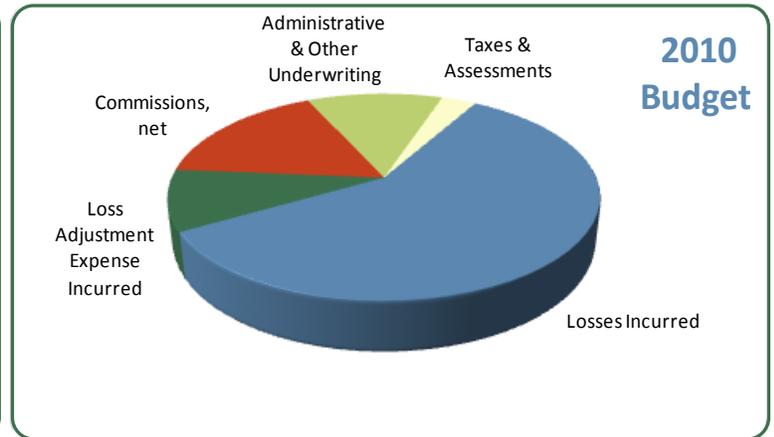
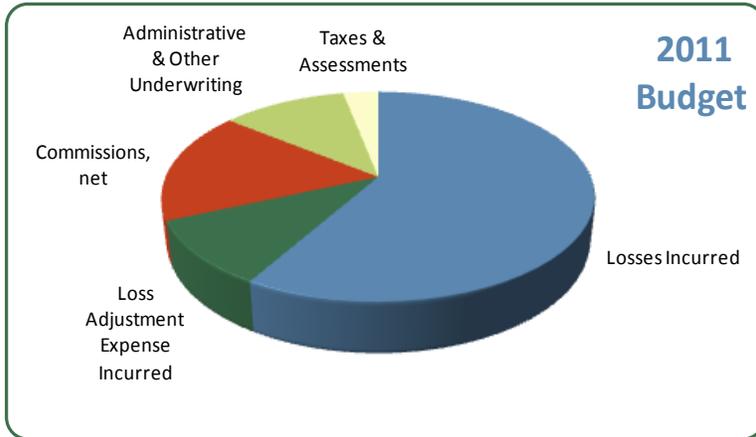


Ceded Written Premiums	CLA	PLA	HRA	2010 Projected	
FHCF	\$ 35,826,796	\$ 91,016,218	\$ 253,686,028	\$ 380,529,042	86.0%
Private Reinsurance	-	-	-	-	0.0%
Depopulation	-	59,855,029	2,311,975	62,167,003	14.0%
Total	\$ 35,826,796	\$ 150,871,246	\$ 255,998,003	\$ 442,696,045	100.0%
	8%	34%	58%	100%	

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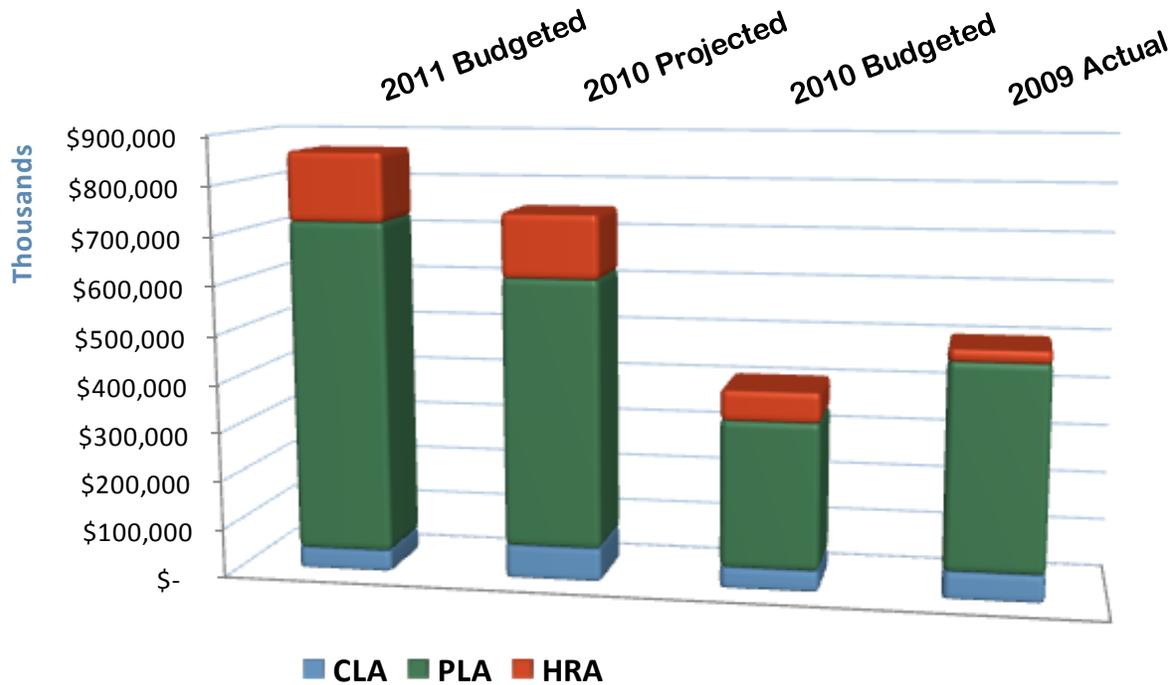
**Board of Governors Meeting
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Underwriting Expenses	2011 Budget	% DWP	2010 Projected	% DWP	2010 Budget	% DWP	2009 Actual	% DWP
Losses Incurred	\$ 863,957,796	28.5%	\$ 746,433,284	28.8%	\$ 404,420,199	17.7%	\$ 498,999,125	22.9%
Loss Adjustment Expense Incurred	148,343,472	4.9%	121,455,117	4.7%	55,298,849	2.4%	82,130,067	3.8%
Commissions, net	255,217,186	8.4%	214,842,638	8.3%	193,537,586	8.4%	171,531,612	7.9%
Administrative & Other Underwriting	165,383,603	5.4%	154,888,123	6.0%	200,748,941	8.8%	137,147,848	6.3%
Taxes & Assessments	46,392,827	1.5%	39,484,391	1.5%	42,410,515	1.9%	31,948,027	1.5%
Total	\$ 1,479,294,884	48.7%	\$ 1,277,103,553	49.3%	\$ 896,416,090	39.1%	\$ 921,756,679	42.3%

Non-Catastrophe Losses Incurred



Losses Incurred	CLA	PLA	HRA	Total
2011 Budgeted	\$ 43,127,781	\$ 680,189,291	\$ 140,640,724	\$ 863,957,796
2010 Projected	68,222,622	548,771,345	129,439,317	746,433,284
2010 Budgeted	42,828,660	299,907,454	61,684,085	404,420,199
2009 Actual	55,677,265	418,317,302	25,004,559	498,999,125

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**Board of Governors Meeting
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Administrative Expenses	2011			2010			2010			2009	
	Budget	% Total	% Chg	Projected	% Total	% Var	Budget	% Total	% Chg	Actual	% Total
Salaries	\$ 72,101,267	52.8%	5.1%	\$ 68,579,840	53.2%	-9.5%	\$ 75,819,265	51.1%	16.8%	\$ 64,936,260	53.9%
Employee Benefits	14,663,934	10.7%	6.5%	13,766,429	10.7%	-1.4%	13,962,282	9.4%	6.9%	13,055,989	10.8%
Payroll Taxes	5,353,930	3.9%	4.2%	5,140,015	4.0%	-11.8%	5,826,532	3.9%	19.7%	4,869,584	4.0%
Temporary Services	2,178,755	1.6%	26.8%	1,718,115	1.3%	-19.3%	2,129,995	1.4%	90.3%	1,119,036	0.9%
Training	1,098,635	0.8%	15.4%	951,893	0.7%	-47.2%	1,803,885	1.2%	106.3%	874,465	0.7%
Recruiting	392,125	0.3%	-1.9%	399,847	0.3%	-56.0%	909,196	0.6%	134.4%	387,815	0.3%
Printing	197,107	0.1%	-3.1%	203,463	0.2%	-51.3%	417,848	0.3%	176.6%	151,070	0.1%
Operating Supplies	1,506,656	1.1%	45.7%	1,034,148	0.8%	-34.4%	1,577,592	1.1%	-19.3%	1,955,866	1.6%
Subscriptions & Dues	818,881	0.6%	-11.6%	926,519	0.7%	-12.4%	1,057,079	0.7%	-28.2%	1,472,933	1.2%
Postage	6,371,160	4.7%	9.8%	5,801,854	4.5%	-12.8%	6,655,247	4.5%	15.8%	5,747,954	4.8%
Telecommunications	3,075,981	2.3%	-33.1%	4,595,242	3.6%	-6.7%	4,926,167	3.3%	23.5%	3,989,179	3.3%
Legal	1,672,500	1.2%	41.3%	1,183,350	0.9%	-31.5%	1,728,590	1.2%	254.3%	(1,119,937)	-0.9%
Insurance	694,998	0.5%	22.0%	569,549	0.4%	-31.3%	828,584	0.6%	138.3%	347,775	0.3%
Travel & Meals	1,921,511	1.4%	11.9%	1,717,099	1.3%	-31.5%	2,507,399	1.7%	77.6%	1,411,673	1.2%
Professional Consulting	22,758,144	16.7%	34.4%	16,937,484	13.1%	-23.9%	22,253,324	15.0%	38.1%	16,114,889	13.4%
Miscellaneous	38,895	0.0%	671%	5,047	0.0%	-96.9%	162,455	0.1%	159.2%	62,686	0.1%
Rent - Facilities	7,109,597	5.2%	-4.5%	7,445,360	5.8%	-2.9%	7,669,902	5.2%	16.2%	6,601,775	5.5%
Rent - Ofc Equip & Furn	619,528	0.5%	14.3%	542,177	0.4%	13.9%	476,212	0.3%	-21.4%	606,087	0.5%
Producer Fees Collected	(863,000)	-0.6%	-3.6%	(833,112)	-0.6%	-9.2%	(763,000)	-0.5%	7.7%	(826,315)	-0.7%
Maintenance & Repairs	2,705,115	2.0%	51.0%	1,791,498	1.4%	-28.7%	2,511,626	1.7%	13.9%	2,204,783	1.8%
Bank Charges	500,000	0.4%	5.4%	474,211	0.4%	-22.8%	614,400	0.4%	25.8%	488,338	0.4%
Software Maint & Licensing	8,324,384	6.1%	43.3%	5,810,222	4.5%	-27.7%	8,040,164	5.4%	21.4%	6,620,402	5.5%
FMAP Funding	(265,500)	-0.2%	-62.4%	(163,452)	-0.1%	-0.3%	(162,993)	-0.1%	-74.8%	(93,268)	-0.1%
Total Admin (Excluding Non-cash)	152,974,603	112.1%	10.4%	138,596,797	107.4%	-13.9%	160,951,751	108.5%	22.9%	130,979,039	108.8%
Non-cash Items											
Depreciation	6,308,523	4.6%	-43.1%	11,095,816	8.6%	-4.9%	11,672,896	7.9%	-5.2%	12,313,773	10.2%
ULAE Expense Allocation	(22,848,385)	-16.7%	-10.5%	(20,679,586)	-16.0%	15.0%	(24,331,050)	-16.4%	-6.4%	(22,869,089)	-19.0%
Total Administrative Expenses	\$ 136,434,741	100.0%	5.8%	\$ 129,013,027	100.0%	-13.0%	\$ 148,293,597	100.0%	23.1%	\$ 120,423,724	100.0%

Administrative Expenses	2011 Budget			2010			2010			2009	
	excl. Core	% Total	% Chg	Projected	% Total	% Var	Budget	% Total	% Chg	Actual	% Total
Salaries	\$ 72,098,267	55.4%	5.1%	\$ 68,579,840	53.2%	-9.5%	\$ 75,819,265	51.1%	16.8%	\$ 64,936,260	53.9%
Employee Benefits	14,663,934	11.3%	6.5%	13,766,429	10.7%	-1.4%	13,962,282	9.4%	6.9%	13,055,989	10.8%
Payroll Taxes	5,353,930	4.1%	4.2%	5,140,015	4.0%	-11.8%	5,826,532	3.9%	19.7%	4,869,584	4.0%
Temporary Services	2,178,755	1.7%	26.8%	1,718,115	1.3%	-19.3%	2,129,995	1.4%	90.3%	1,119,036	0.9%
Training	1,091,735	0.8%	14.7%	951,893	0.7%	-47.2%	1,803,885	1.2%	106.3%	874,465	0.7%
Recruiting	392,125	0.3%	-1.9%	399,847	0.3%	-56.0%	909,196	0.6%	134.4%	387,815	0.3%
Printing	197,107	0.2%	-3.1%	203,463	0.2%	-51.3%	417,848	0.3%	176.6%	151,070	0.1%
Operating Supplies	1,506,656	1.2%	45.7%	1,034,148	0.8%	-34.4%	1,577,592	1.1%	-19.3%	1,955,866	1.6%
Subscriptions & Dues	815,381	0.6%	-12.0%	926,519	0.7%	-12.4%	1,057,079	0.7%	-28.2%	1,472,933	1.2%
Postage	6,371,160	4.9%	9.8%	5,801,854	4.5%	-12.8%	6,655,247	4.5%	15.8%	5,747,954	4.8%
Telecommunications	3,075,981	2.4%	-33.1%	4,595,242	3.6%	-6.7%	4,926,167	3.3%	23.5%	3,989,179	3.3%
Legal	1,597,500	1.2%	35.0%	1,183,350	0.9%	-31.5%	1,728,590	1.2%	254.3%	(1,119,937)	-0.9%
Insurance	694,998	0.5%	22.0%	569,549	0.4%	-31.3%	828,584	0.6%	138.3%	347,775	0.3%
Travel & Meals	1,845,726	1.4%	7.5%	1,717,099	1.3%	-31.5%	2,507,399	1.7%	77.6%	1,411,673	1.2%
Professional Consulting	17,400,171	13.4%	2.7%	16,937,484	13.1%	-23.9%	22,253,324	15.0%	38.1%	16,114,889	13.4%
Miscellaneous	38,895	0.0%	671%	5,047	0.0%	-96.9%	162,455	0.1%	159.2%	62,686	0.1%
Rent - Facilities	7,109,597	5.5%	-4.5%	7,445,360	5.8%	-2.9%	7,669,902	5.2%	16.2%	6,601,775	5.5%
Rent - Ofc Equip & Furn	619,528	0.5%	14.3%	542,177	0.4%	13.9%	476,212	0.3%	-21.4%	606,087	0.5%
Producer Fees Collected	(863,000)	-0.7%	-3.6%	(833,112)	-0.6%	-9.2%	(763,000)	-0.5%	7.7%	(826,315)	-0.7%
Maintenance & Repairs	2,705,115	2.1%	51.0%	1,791,498	1.4%	-28.7%	2,511,626	1.7%	13.9%	2,204,783	1.8%
Bank Charges	500,000	0.4%	5.4%	474,211	0.4%	-22.8%	614,400	0.4%	25.8%	488,338	0.4%
Software Maint & Licensing	8,182,884	6.3%	40.8%	5,810,222	4.5%	-27.7%	8,040,164	5.4%	21.4%	6,620,402	5.5%
FMAP Funding	(265,500)	-0.2%	-62.4%	(163,452)	-0.1%	-0.3%	(162,993)	-0.1%	-74.8%	(93,268)	-0.1%
Total Admin (Excluding Non-cash)	147,310,945	113.2%	6.3%	138,596,797	107.4%	-13.9%	160,951,751	108.5%	22.9%	130,979,039	108.8%
Non-cash Items											
Depreciation	5,680,551	4.4%	-48.8%	11,095,816	8.6%	-4.9%	11,672,896	7.9%	-5.2%	12,313,773	10.2%
ULAE Expense Allocation	(22,848,385)	-17.6%	-10.5%	(20,679,586)	-16.0%	15.0%	(24,331,050)	-16.4%	-6.4%	(22,869,089)	-19.0%
Total Administrative Expenses	\$ 130,143,111	100.0%	0.9%	\$ 129,013,027	100.0%	-13.0%	\$ 148,293,597	100.0%	23.1%	\$ 120,423,724	100.0%

2011 Budgeted Admin Expenses

■ Staffing Expenses	\$ 94,297,887	69.1%
■ Professional Consulting	22,758,144	16.7%
■ Software Maint & Licensing	8,324,384	6.1%
■ Telecommunications	3,075,981	2.3%
■ Maintenance & Repairs	2,705,115	2.0%
■ Travel & Meals	1,921,511	1.4%
■ Other	3,351,720	2.5%

Total 2011 Budget **\$ 136,434,741** 100.0%

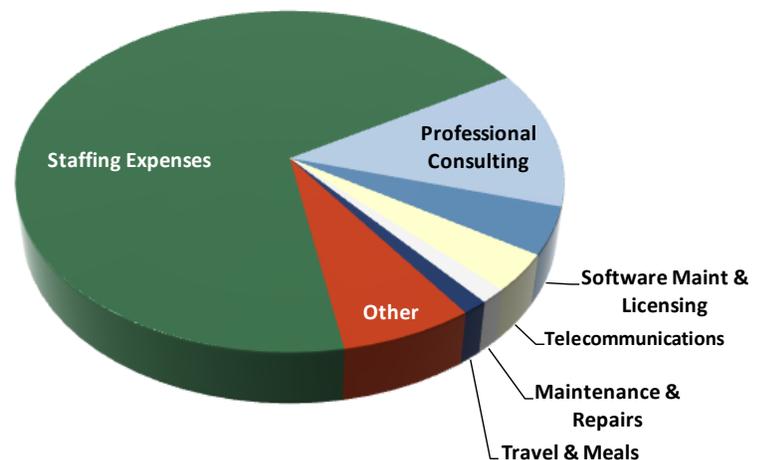
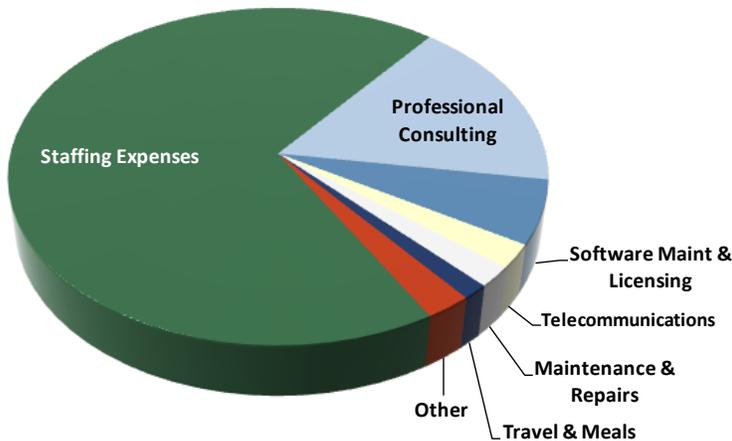
Other Expenses	\$ 3,351,720	2.5%
Rent - Facilities	7,109,597	5.2%
Rent - Ofc Equip & Furn	619,528	0.5%
Postage	6,371,160	4.7%
Legal	1,672,500	1.2%
Operating Supplies	1,506,656	1.1%
Training	1,098,635	0.8%
Subscriptions & Dues	818,881	0.6%
Insurance	694,998	0.5%
Bank Charges	500,000	0.4%
Recruiting	392,125	0.3%
Printing	197,107	0.1%
Miscellaneous	38,895	0.0%
FMAP Funding	(265,500)	-0.2%
Producer Fees Collected	(863,000)	-0.6%
Depreciation	6,308,523	4.6%
ULAE Expense Allocation	(22,848,385)	-16.7%

2010 Projected Admin Expenses

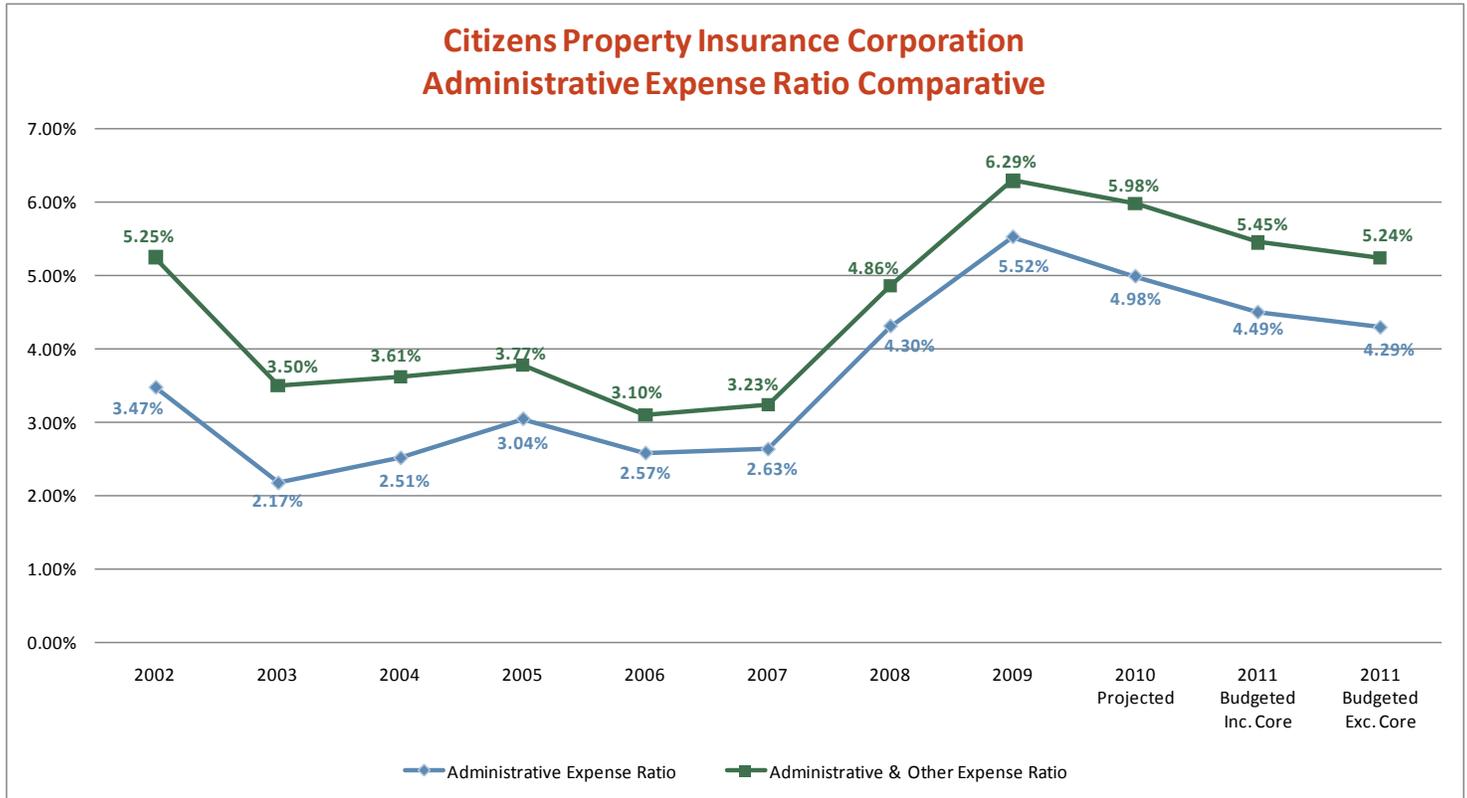
■ Staffing Expenses	\$ 89,204,400	69.1%
■ Professional Consulting	16,937,484	13.1%
■ Software Maint & Licensing	5,810,222	4.5%
■ Telecommunications	4,595,242	3.6%
■ Maintenance & Repairs	1,791,498	1.4%
■ Travel & Meals	1,717,099	1.3%
■ Other	8,957,083	6.9%

Total 2010 Projected **\$ 129,013,027** 100.0%

Other Expenses	\$ 8,957,083	6.9%
Rent - Facilities	7,445,360	5.8%
Rent - Ofc Equip & Furn	542,177	0.4%
Postage	5,801,854	4.5%
Legal	1,183,350	0.9%
Operating Supplies	1,034,148	0.8%
Training	951,893	0.7%
Subscriptions & Dues	926,519	0.7%
Insurance	569,549	0.4%
Bank Charges	474,211	0.4%
Recruiting	399,847	0.3%
Printing	203,463	0.2%
Miscellaneous	5,047	0.0%
FMAP Funding	(163,452)	-0.1%
Producer Fees Collected	(833,112)	-0.6%
Depreciation	11,095,816	8.6%
ULAE Expense Allocation	(20,679,586)	-16.0%



Administrative Expenses	2011 Budget excl. Core	Core Project	2011 Budget	% Total
Salaries	\$ 72,098,267	\$ 3,000	\$ 72,101,267	52.8%
Employee Benefits	14,663,934	-	14,663,934	10.7%
Payroll Taxes	5,353,930	-	5,353,930	3.9%
Temporary Services	2,178,755	-	2,178,755	1.6%
Training	1,091,735	6,900	1,098,635	0.8%
Recruiting	392,125	-	392,125	0.3%
Printing	197,107	-	197,107	0.1%
Operating Supplies	1,506,656	-	1,506,656	1.1%
Subscriptions & Dues	815,381	3,500	818,881	0.6%
Postage	6,371,160	-	6,371,160	4.7%
Telecommunications	3,075,981	-	3,075,981	2.3%
Legal	1,597,500	75,000	1,672,500	1.2%
Insurance	694,998	-	694,998	0.5%
Travel & Meals	1,845,726	75,785	1,921,511	1.4%
Professional Consulting	17,400,171	5,357,973	22,758,144	16.7%
Miscellaneous	38,895	-	38,895	0.0%
Rent - Facilities	7,109,597	-	7,109,597	5.2%
Rent - Ofc Equip & Furn	619,528	-	619,528	0.5%
Producer Fees Collected	(863,000)	-	(863,000)	-0.6%
Maintenance & Repairs	2,705,115	-	2,705,115	2.0%
Bank Charges	500,000	-	500,000	0.4%
Software Maint & Licensing	8,182,884	141,500	8,324,384	6.1%
FMAP Funding	(265,500)	-	(265,500)	-0.2%
Total Admin (Excluding Non-cash)	147,310,945	5,663,658	152,974,603	112.1%
Non-cash Items				
Depreciation	5,680,551	627,972	6,308,523	4.6%
ULAE Expense Allocation	(22,848,385)	-	(22,848,385)	-16.7%
Total Administrative Expenses	\$ 130,143,111	\$ 6,291,630	\$ 136,434,741	100.0%



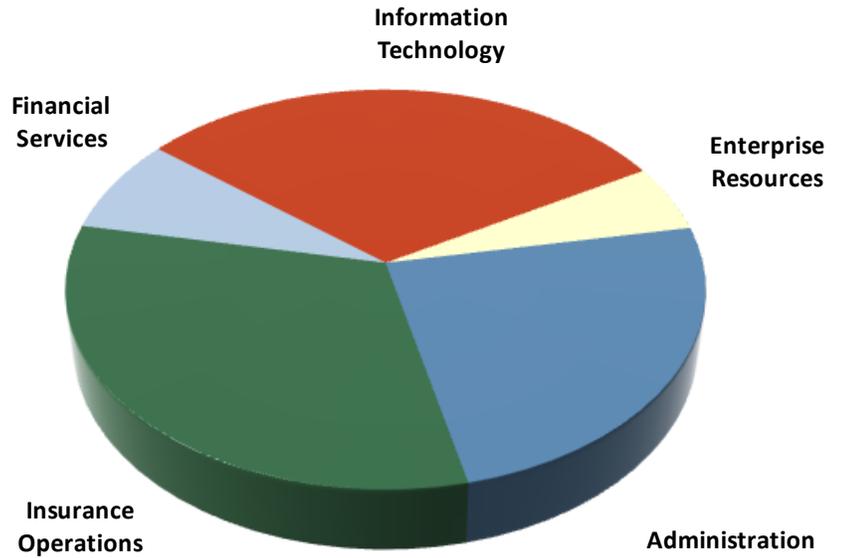
Select Income Statement Data	2002	2003	2004	2005	2006	2007	2008	2009	2010 Projected	2011 Budgeted Inc. Core	2011 Budgeted Exc. Core
Premiums Written - Direct (Millions)	\$804	\$1,172	\$1,401	\$1,609	\$3,400	\$3,718	\$2,772	\$2,181	\$2,589	\$3,036	\$3,036
Administrative Expenses (Millions)	\$28	\$25	\$35	\$49	\$87	\$98	\$119	\$120	\$129	\$136	\$130
Total Administrative & Other (Millions)	\$42	\$41	\$51	\$61	\$105	\$120	\$135	\$137	\$155	\$165	\$159
Administrative Expense Ratio	3.47%	2.17%	2.51%	3.04%	2.57%	2.63%	4.30%	5.52%	4.98%	4.49%	4.29%
Administrative & Other Expense Ratio	5.25%	3.50%	3.61%	3.77%	3.10%	3.23%	4.86%	6.29%	5.98%	5.45%	5.24%

**Board of Governors Meeting
December 14-15, 2010**



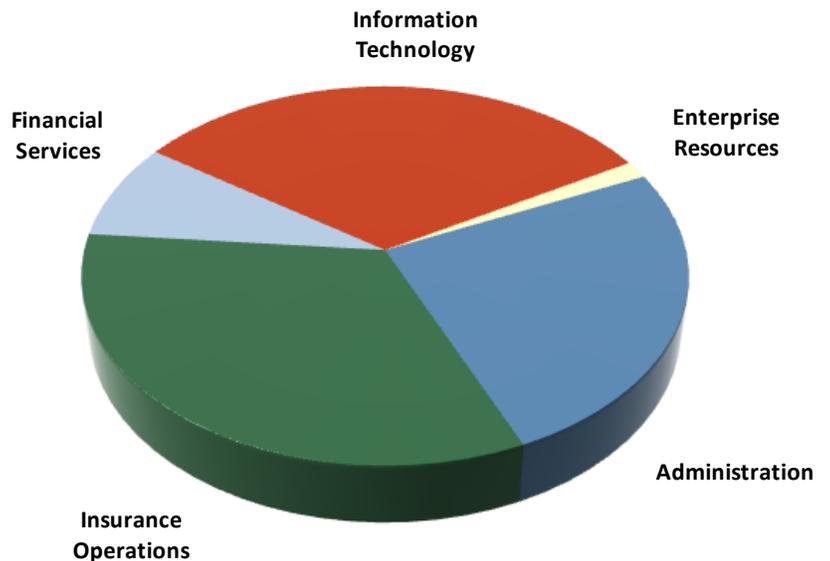
2011 Budgeted Admin Expenses

Enterprise Resources	\$ (8,276,122)	-6.1%
Administration	37,143,068	27.2%
Insurance Operations	48,558,646	35.6%
Financial Services	11,806,924	8.7%
Information Technology	47,202,225	34.6%
Total 2011 Budget	\$ 136,434,741	100.0%



2010 Projected Admin Expenses

Enterprise Resources	\$ (1,804,472)	-1.4%
Administration	33,430,027	25.9%
Insurance Operations	43,834,852	34.0%
Financial Services	10,952,354	8.5%
Information Technology	42,600,266	33.0%
Total 2010 Projected	\$ 129,013,027	100.0%



2011

Administrative Expenses (incl. Core)

Operating Budget

By Division

Administrative Expenses	Total CPIC	Enterprise Resources	Administration	Insurance Operations	Financial Services	Information Technology
Salaries	\$ 72,101,267	\$ 4,370,619	\$ 18,026,971	\$ 26,467,376	\$ 5,622,688	\$ 17,613,613
Employee Benefits	14,663,934	900,556	3,661,577	5,315,598	1,156,961	3,629,243
Payroll Taxes	5,353,930	323,887	1,345,226	1,946,094	423,057	1,315,666
Temporary Services	2,178,755	43,100	50,115	1,309,250	34,120	742,170
Training	1,098,635	86,372	286,133	190,901	74,969	460,260
Recruiting	392,125	-	392,125	-	-	-
Printing	197,107	13,500	83,230	46,257	34,020	20,100
Operating Supplies	1,506,656	13,929	670,973	82,874	22,000	716,880
Subscriptions & Dues	818,881	65,855	47,272	606,107	50,030	49,617
Postage	6,371,160	1,640	121,845	6,225,675	12,100	9,900
Telecommunications	3,075,981	-	-	-	-	3,075,981
Legal	1,672,500	1,672,500	-	-	-	-
Insurance	694,998	-	22,848	-	672,150	-
Travel & Meals	1,921,511	279,310	526,166	615,663	102,845	397,527
Professional Consulting	22,758,144	379,525	3,193,700	4,529,800	2,652,500	12,002,619
Miscellaneous	38,895	3,850	31,485	2,150	1,200	210
Rent - Facilities	7,109,597	-	6,962,467	7,730	14,400	125,000
Rent - Ofc Equip & Furn	619,528	-	426,760	192,768	-	-
Producer Fees Collected	(863,000)	-	(863,000)	-	-	-
Maintenance & Repairs	2,705,115	600	2,006,544	121,651	8,620	567,700
Bank Charges	500,000	-	-	-	500,000	-
Software Maint & Licensing	8,324,384	108,497	416,131	898,752	425,264	6,475,740
FMAP Funding	(265,500)	-	(265,500)	-	-	-
Real \$ Admin Expenses	152,974,603	8,263,740	37,143,068	48,558,646	11,806,924	47,202,225
Non-cash Items						
Depreciation	6,308,523	6,308,523	-	-	-	-
ULAE Expense Allocation	(22,848,385)	(22,848,385)	-	-	-	-
Total Administrative Expenses	\$ 136,434,741	\$ (8,276,122)	\$ 37,143,068	\$ 48,558,646	\$ 11,806,924	\$ 47,202,225

The Enterprise Resources Division represents costs benefitting the entire organization but not allocated to other specific divisions and is headed by President Scott Wallace. Enterprise Resources includes a cost center for Senior Vice-Presidents, Chiefs, and the President and their staff. This division also includes cost centers for Legal Services and the Office of Internal Audit. Finally, non-departmental costs, such as depreciation and the Unallocated Loss Adjustment Expense allocation, are included in this division.

Administrative expenses for Enterprise Resources are budgeted to decrease approximately 16% from 2010. This is largely due to reclassifying 2011 costs for print and mail services for policy documents to the Underwriting cost center. This was partially offset by an increase in budgeted legal expenses related to pending or anticipated litigation costs for 2011.

Depreciation and the allocation of claims related costs to ULAE are also included in the Enterprise Resources division. While the ULAE allocation primarily relates to claims costs, this allocation is not included in the Claims division in order to reflect the total costs associated with Claims in a more transparent manner for interested parties.

Administrative Expenses	2011			2010			2010			2009	
	Budget	Total	% Chg	Projected	Total	% Var	Budget	Total	% Chg	Actual	Total
Salaries	\$ 4,370,619	-52.8%	0.7%	\$ 4,340,477	-240.5%	-14.1%	\$ 5,055,708	-134.4%	31.1%	\$ 3,856,332	-65.5%
Employee Benefits	900,556	-10.9%	26.6%	711,273	-39.4%	-25.1%	949,004	-25.2%	52.4%	622,653	-10.6%
Payroll Taxes	323,887	-3.9%	7.4%	301,513	-16.7%	-21.3%	383,212	-10.2%	63.7%	234,140	-4.0%
Temporary Services	43,100	-0.5%	-17.6%	52,293	-2.9%	62.2%	32,244	-0.9%	-61.6%	83,988	-1.4%
Training	86,372	-1.0%	-0.2%	86,568	-4.8%	-49.4%	171,249	-4.6%	192.1%	58,619	-1.0%
Recruiting	-	0.0%	-100.0%	9	0.0%	100.0%	-	0.0%	0.0%	-	0.0%
Printing	13,500	-0.2%	115.9%	6,254	-0.3%	-50.0%	12,500	-0.3%	63.4%	7,650	-0.1%
Operating Supplies	13,929	-0.2%	22.4%	11,382	-0.6%	-28.4%	15,900	-0.4%	8.6%	14,638	-0.2%
Subscriptions & Dues	65,855	-0.8%	9.3%	60,244	-3.3%	-12.3%	68,674	-1.8%	-4.7%	72,083	-1.2%
Postage	1,640	0.0%	-22.4%	2,113	-0.1%	61.3%	1,310	0.0%	14.6%	1,144	0.0%
Telecommunications	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Legal	1,672,500	-20.2%	46.2%	1,144,015	-63.4%	-29.2%	1,616,490	-43.0%	239.8%	(1,156,547)	19.6%
Insurance	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Travel & Meals	279,310	-3.4%	-13.7%	323,793	-17.9%	8.1%	299,570	-8.0%	3.9%	288,263	-4.9%
Professional Consulting	379,525	-4.6%	-36.2%	595,266	-33.0%	170.7%	219,925	-5.8%	-44.0%	392,538	-6.7%
Miscellaneous	3,850	0.0%	-60%	9,527	-0.5%	132.4%	4,100	-0.1%	-13.5%	4,739	-0.1%
Rent - Facilities	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	-100.0%	87	0.0%
Rent - Ofc Equip & Furn	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Producer Fees Collected	-	0.0%	-100.0%	55,251	-3.1%	100.0%	-	0.0%	-100.0%	68,693	-1.2%
Maintenance & Repairs	600	0.0%	101.5%	298	0.0%	100.0%	-	0.0%	-100.0%	123	0.0%
Bank Charges	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	-100.0%	833	0.0%
Software Maint & Licensing	108,497	-1.3%	37.3%	79,024	-4.4%	18.8%	66,510	-1.8%	-43.4%	117,612	-2.0%
FMAP Funding	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Total Admin (Excluding Non-cash)	8,263,740	-99.9%	6.2%	7,779,298	-431.1%	-12.6%	8,896,396	-236.5%	90.6%	4,667,588	-79.3%
Non-cash Items											
Depreciation	6,308,523	-76.2%	-43.1%	11,095,816	-614.9%	-4.9%	11,672,896	-310.3%	-5.2%	12,313,773	-209.1%
ULAE Expense Allocation	(22,848,385)	276.1%	-10.5%	(20,679,586)	1146%	15.0%	(24,331,050)	646.8%	-6.4%	(22,869,089)	388.4%
Total Administrative Expenses	\$ (8,276,122)	100.0%	-358.6%	\$ (1,804,472)	100.0%	52.0%	\$ (3,761,758)	100.0%	36.1%	\$ (5,887,728)	100.0%

The Administration Division represents typical administration activities as well as Agency and Consumer Services and is headed by Chief Administration Officer Susanne Murphy. The majority of administration cost centers provide services to the entire corporation. Administration includes the following cost centers:

- Legislature and External Affairs
- Consumer and Agent Services
- FMAP
- Human Resources
- Corporate Training
- Enterprise Portfolio Management
- Process Improvement
- General Services
- Facilities
- Purchasing

Administrative expenses for the Administration division include costs budgeted for the Core project of \$2.36 million. If Core costs are excluded, administrative expenses are budgeted to increase 3.5% over the 2010 projected amount. This increase is caused by the following: additional headcount and related expenses as certain cost centers such as process improvement, enterprise portfolio management and legislative affairs were transferred from IT and Enterprise Resources to the Administration division; additional costs that will be incurred related to the Tallahassee office relocation, and certain costs related to facilities have experienced increases.

Core related expenses of \$2.36 million are in the professional consulting category and relate primarily to overall project management as well as consultant services for the process improvement team and staff augmentation for purchasing.

Administrative Expenses	2011			2010			2010			2009	
	Budget	Total	% Chg	Projected	Total	% Var	Budget	Total	% Chg	Actual	Total
Salaries	\$ 18,026,971	48.5%	4.5%	\$ 17,246,910	51.6%	-6.3%	\$ 18,401,659	47.8%	4.5%	\$ 17,610,483	51.8%
Employee Benefits	3,661,577	9.9%	-0.1%	3,665,677	11.0%	10.2%	3,327,284	8.6%	-14.5%	3,892,199	11.4%
Payroll Taxes	1,345,226	3.6%	2.6%	1,310,555	3.9%	-8.4%	1,430,103	3.7%	6.8%	1,339,139	3.9%
Temporary Services	50,115	0.1%	-14.2%	58,423	0.2%	-74.5%	228,792	0.6%	148.0%	92,240	0.3%
Training	286,133	0.8%	-0.1%	286,406	0.9%	-34.1%	434,577	1.1%	49.4%	290,846	0.9%
Recruiting	392,125	1.1%	0.0%	392,134	1.2%	-56.1%	893,996	2.3%	130.5%	387,815	1.1%
Printing	83,230	0.2%	4.4%	79,699	0.2%	-64.8%	226,458	0.6%	376.3%	47,550	0.1%
Operating Supplies	670,973	1.8%	9.5%	612,810	1.8%	-23.7%	803,408	2.1%	15.5%	695,579	2.0%
Subscriptions & Dues	47,272	0.1%	-14.2%	55,099	0.2%	-34.1%	83,594	0.2%	-14.7%	97,946	0.3%
Postage	121,845	0.3%	-46.8%	229,081	0.7%	-65.4%	661,750	1.7%	309.8%	161,476	0.5%
Telecommunications	-	0.0%	-100.0%	508	0.0%	100.0%	-	0.0%	-100.0%	745	0.0%
Legal	-	0.0%	-100.0%	39,335	0.1%	-64.9%	112,100	0.3%	206.2%	36,610	0.1%
Insurance	22,848	0.1%	-85.1%	153,040	0.5%	98.5%	77,084	0.2%	-77.8%	347,775	1.0%
Travel & Meals	526,166	1.4%	-2.9%	541,996	1.6%	-39.6%	896,868	2.3%	130.9%	388,456	1.1%
Professional Consulting	3,193,700	8.6%	523.1%	512,568	1.5%	-53.5%	1,102,848	2.9%	142.6%	454,596	1.3%
Miscellaneous	31,485	0.1%	28%	24,685	0.1%	-82.7%	142,350	0.4%	132.2%	61,316	0.2%
Rent - Facilities	6,962,467	18.7%	0.0%	6,965,697	20.8%	-3.4%	7,208,170	18.7%	9.6%	6,574,367	19.3%
Rent - Ofc Equip & Furn	426,760	1.1%	-14.9%	501,619	1.5%	5.3%	476,212	1.2%	-8.6%	520,844	1.5%
Producer Fees Collected	(863,000)	-2.3%	2.9%	(888,363)	-2.7%	-16.4%	(763,000)	-2.0%	14.7%	(895,008)	-2.6%
Maintenance & Repairs	2,006,544	5.4%	34.8%	1,488,658	4.5%	-36.0%	2,326,054	6.0%	52.7%	1,523,779	4.5%
Bank Charges	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Software Maint & Licensing	416,131	1.1%	31.3%	316,941	0.9%	-44.0%	565,800	1.5%	21.6%	465,271	1.4%
FMAP Funding	(265,500)	-0.7%	-62.4%	(163,452)	-0.5%	-0.3%	(162,993)	-0.4%	-74.8%	(93,268)	-0.3%
Total Admin (Excluding Non-cash)	37,143,068	100.0%	11.1%	33,430,027	100.0%	-13.1%	38,473,114	100.0%	13.2%	34,000,755	100.0%
Non-cash Items											
Depreciation	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
ULAE Expense Allocation	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Total Administrative Expenses	\$ 37,143,068	100.0%	11.1%	\$ 33,430,027	100.0%	-13.1%	\$ 38,473,114	100.0%	13.2%	\$ 34,000,755	100.0%

The Financial Services Division includes the following cost centers:

Accounting

Finance and Investments

Actuarial Services

Payment Services

Enterprise Risk Management (includes ERM, Business Continuity, Corporate Insurance, and Corporate/
Public Records)

Administrative expenses for the Financial Services division are budgeted to increase 7.8% over the 2010 projected amounts. This increase is attributable to: potential Core systems costs of \$277,000, building staff resources in the finance and investments cost center to better manage the investment portfolio, transfer of ERM and related business units from the IT division and enhancement of those areas with staff and external consulting resources, and additional costs associated with investment compliance software and related costs with additional assets under external management.

Administrative Expenses	2011			2010			2010			2009	
	Budget	Total	% Chg	Projected	Total	% Var	Budget	Total	% Chg	Actual	Total
Salaries	\$ 5,622,688	47.6%	7.3%	\$ 5,239,261	47.8%	-1.7%	\$ 5,331,863	48.9%	22.7%	\$ 4,344,223	53.4%
Employee Benefits	1,156,961	9.8%	10.9%	1,043,270	9.5%	3.1%	1,011,595	9.3%	14.3%	885,382	10.9%
Payroll Taxes	423,057	3.6%	9.6%	385,961	3.5%	-6.5%	412,857	3.8%	25.7%	328,555	4.0%
Temporary Services	34,120	0.3%	44.0%	23,696	0.2%	-5.1%	24,960	0.2%	3.4%	24,140	0.3%
Training	74,969	0.6%	-5.1%	78,963	0.7%	-23.0%	102,500	0.9%	58.0%	64,880	0.8%
Recruiting	-	0.0%	-100.0%	204	0.0%	100.0%	-	0.0%	0.0%	-	0.0%
Printing	34,020	0.3%	-13.5%	39,326	0.4%	-34.2%	59,770	0.5%	13.8%	52,534	0.6%
Operating Supplies	22,000	0.2%	4.0%	21,155	0.2%	-37.2%	33,700	0.3%	47.6%	22,838	0.3%
Subscriptions & Dues	50,030	0.4%	30.7%	38,281	0.3%	-58.6%	92,568	0.8%	181.1%	32,928	0.4%
Postage	12,100	0.1%	10.5%	10,946	0.1%	-36.2%	17,165	0.2%	848.7%	1,809	0.0%
Telecommunications	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Legal	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Insurance	672,150	5.7%	61.4%	416,509	3.8%	-44.6%	751,500	6.9%	100.0%	-	0.0%
Travel & Meals	102,845	0.9%	17.4%	87,611	0.8%	-21.1%	111,005	1.0%	86.8%	59,429	0.7%
Professional Consulting	2,652,500	22.5%	3.9%	2,552,226	23.3%	36.5%	1,870,190	17.2%	22.2%	1,530,780	18.8%
Miscellaneous	1,200	0.0%	109%	(13,667)	-0.1%	-669.5%	2,400	0.0%	18.8%	2,020	0.0%
Rent - Facilities	14,400	0.1%	78.0%	8,090	0.1%	7990%	100	0.0%	-89.1%	918	0.0%
Rent - Ofc Equip & Furn	-	0.0%	-100.0%	3,876	0.0%	100.0%	-	0.0%	-100.0%	3,993	0.0%
Producer Fees Collected	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Maintenance & Repairs	8,620	0.1%	-37.5%	13,786	0.1%	59.9%	8,620	0.1%	-57.9%	20,454	0.3%
Bank Charges	500,000	4.2%	5.4%	474,211	4.3%	-22.8%	614,400	5.6%	26.0%	487,505	6.0%
Software Maint & Licensing	425,264	3.6%	-19.6%	528,649	4.8%	18.0%	447,900	4.1%	60.7%	278,742	3.4%
FMAP Funding	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Total Admin (Excluding Non-cash)	11,806,924	100.0%	7.8%	10,952,354	100.0%	0.5%	10,893,093	100.0%	33.8%	8,141,132	100.0%
Non-cash Items											
Depreciation	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
ULAE Expense Allocation	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Total Administrative Expenses	\$ 11,806,924	100.0%	7.8%	\$ 10,952,354	100.0%	0.5%	\$ 10,893,093	100.0%	33.8%	\$ 8,141,132	100.0%

The Insurance Operations Division includes underwriting and claims activities as well as numerous related cost centers as described below:

Claims Vendor Management	Underwriting – Personal Lines
Enterprise Quality Assurance	Underwriting – Commercial Lines
Claims Catastrophe Operations	Product Development
Claims Daily Operations (non-cat claims)	Insurance Operations Training
Litigation and Disputed Claims	Shared Services
Claims Special Investigations Unit (anti-fraud)	Data Entry
Claims Quality Assurance	Scanning and Distribution
Claims Recovery (subrogation)	

Administrative expenses for Insurance Operations are budgeted to increase approximately 16% from the 2010 projected amount. This increase is attributable to a number of factors including: reclassification of certain cost centers from other divisions which included print and mail service costs, increasing headcount in claims and underwriting to improve policyholder and agent service, expansion of vendor management, training programs for employees and outsourced vendors in claims and underwriting, expansion of an enterprise assurance program, temporary staff augmentation (outsourcing) related to inspections, independent adjuster credentialing, vendor management, sinkhole appraisal, the 2011 loss commutation for Hurricane Wilma claims, and adding resources to fight insurance fraud.

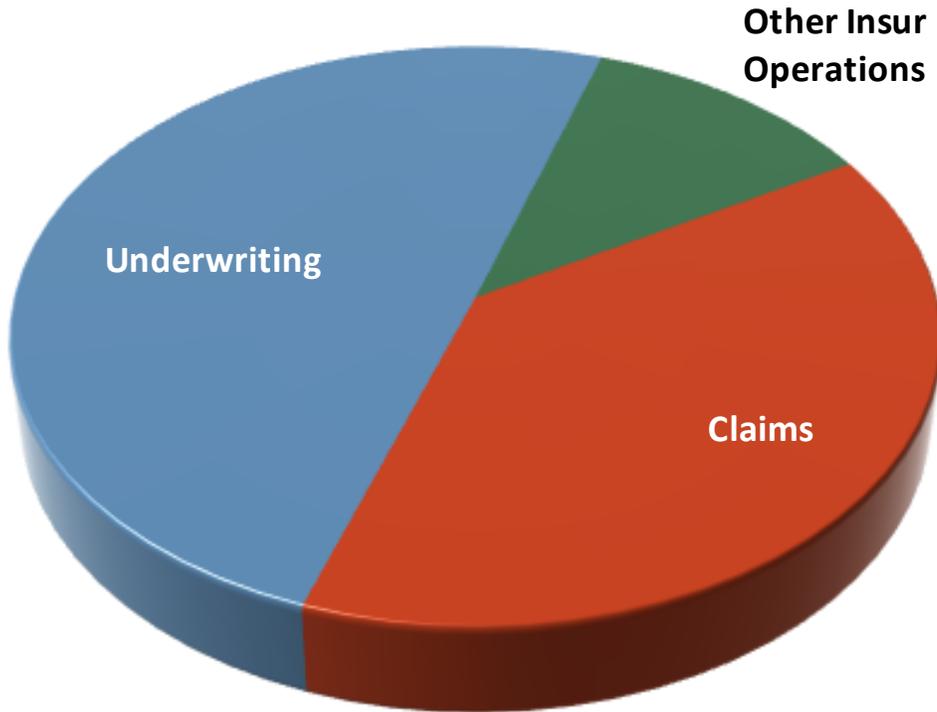
The claims and underwriting departments regularly use outsourced vendors to manage growth in workload and would use the outsourced vendors less if there is a significant decline in policy volume. If business volume increases or the cost benefit analysis determines more outsourcing is appropriate, Citizens has the ability to increase the volume handled by vendors while exercising appropriate levels of monitoring and control over such vendors.

Two of the projects with the most visibility for 2011 (Inspections and Core business systems) are being steered by the Insurance Operations division. The cost of Core business systems is presented separately in the budget but very little of the anticipated cost will reside in the Insurance Operations division. Considerable cost is projected for the inspection project as described in the overall budget discussion and is included in Other Underwriting Expense. As indicated therein, the budgeted revenue resulting from the inspection projects is expected to exceed the expense and that additional revenue would recur as long as the policy remains in force with Citizens. Other servicing carrier fees are expected to decline as a result of a re-negotiated contract.

Administrative Expenses	2011			2010			2010			2009	
	Budget	% Total	% Chg	Projected	% Total	% Var	Budget	% Total	% Chg	Actual	% Total
Salaries	\$ 26,467,376	54.5%	8.9%	\$ 24,303,028	55.4%	-12.5%	\$ 27,782,735	55.5%	22.9%	\$ 22,612,523	54.4%
Employee Benefits	5,315,598	10.9%	2.9%	5,166,501	11.8%	1.7%	5,079,124	10.2%	4.3%	4,868,015	11.7%
Payroll Taxes	1,946,094	4.0%	5.2%	1,849,467	4.2%	-14.1%	2,153,751	4.3%	24.0%	1,737,352	4.2%
Temporary Services	1,309,250	2.7%	39.7%	937,259	2.1%	-24.9%	1,248,124	2.5%	57.2%	794,034	1.9%
Training	190,901	0.4%	29.2%	147,802	0.3%	-57.9%	350,761	0.7%	388.7%	71,774	0.2%
Recruiting	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Printing	46,257	0.1%	-34.5%	70,669	0.2%	-39.5%	116,820	0.2%	182.6%	41,336	0.1%
Operating Supplies	82,874	0.2%	6.1%	78,122	0.2%	-52.1%	163,024	0.3%	167.0%	61,050	0.1%
Subscriptions & Dues	606,107	1.2%	37.2%	441,794	1.0%	13.1%	390,591	0.8%	-64.9%	1,113,511	2.7%
Postage	6,225,675	12.8%	12.1%	5,552,510	12.7%	-6.8%	5,957,074	11.9%	6.7%	5,581,211	13.4%
Telecommunications	-	0.0%	-100.0%	54	0.0%	100.0%	-	0.0%	0.0%	-	0.0%
Legal	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Insurance	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Travel & Meals	615,663	1.3%	40.0%	439,721	1.0%	-30.3%	630,615	1.3%	61.9%	389,523	0.9%
Professional Consulting	4,529,800	9.3%	15.1%	3,934,705	9.0%	-20.9%	4,975,260	9.9%	28.7%	3,864,486	9.3%
Miscellaneous	2,150	0.0%	-57%	5,042	0.0%	-62.7%	13,500	0.0%	327.0%	(5,947)	0.0%
Rent - Facilities	7,730	0.0%	36.8%	5,652	0.0%	-51.4%	11,632	0.0%	84.7%	6,297	0.0%
Rent - Ofc Equip & Furn	192,768	0.4%	425.5%	36,681	0.1%	100.0%	-	0.0%	-100.0%	86,650	0.2%
Producer Fees Collected	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Maintenance & Repairs	121,651	0.3%	299.9%	30,417	0.1%	-81.8%	166,952	0.3%	-6.3%	178,238	0.4%
Bank Charges	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Software Maint & Licensing	898,752	1.9%	7.6%	835,428	1.9%	-14.9%	982,252	2.0%	622.8%	135,891	0.3%
FMAP Funding	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Total Admin (Excluding Non-cash)	48,558,646	100.0%	10.8%	43,834,852	100.0%	-12.4%	50,022,215	100.0%	20.4%	41,535,943	100.0%
Non-cash Items											
Depreciation	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
ULAE Expense Allocation	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Total Administrative Expenses	\$ 48,558,646	100.0%	10.8%	\$ 43,834,852	100.0%	-12.4%	\$ 50,022,215	100.0%	20.4%	\$ 41,535,943	100.0%

2011 Budgeted Admin Expenses

■ Claims	\$ 18,767,777	38.6%
■ Underwriting	24,124,158	49.7%
■ Other Insur Operations	5,666,712	11.7%
<hr/>		
Total 2011 Budget	\$ 48,558,646	100.0%



2011

Operating Budget

Administrative Expenses (incl. Core)

By Component of Insurance Operations

Administrative Expenses	Insurance Operations	Claims	Underwriting	Other Insur Operations
Salaries	\$ 26,467,376	\$ 12,458,497	\$ 10,150,980	\$ 3,857,898
Employee Benefits	5,315,598	2,562,004	1,960,096	793,498
Payroll Taxes	1,946,094	933,645	723,872	288,577
Temporary Services	1,309,250	764,934	119,996	424,320
Training	190,901	62,454	60,504	67,943
Recruiting	-	-	-	-
Printing	46,257	15,907	16,350	14,000
Operating Supplies	82,874	32,574	32,100	18,200
Subscriptions & Dues	606,107	530,355	66,655	9,097
Postage	6,225,675	39,120	6,184,955	1,600
Telecommunications	-	-	-	-
Legal	-	-	-	-
Insurance	-	-	-	-
Travel & Meals	615,663	368,129	80,955	166,579
Professional Consulting	4,529,800	-	4,504,800	25,000
Miscellaneous	2,150	400	1,750	-
Rent - Facilities	7,730	684	7,046	-
Rent - Ofc Equip & Furn	192,768	70,272	122,496	-
Producer Fees Collected	-	-	-	-
Maintenance & Repairs	121,651	30,549	91,102	-
Bank Charges	-	-	-	-
Software Maint & Licensing	898,752	898,252	500	-
FMAP Funding	-	-	-	-
Real \$ Admin Expenses	48,558,646	18,767,777	24,124,158	5,666,712
Non-cash Items				
Depreciation	-	-	-	-
ULAE Expense Allocation	-	-	-	-
Total Administrative Expenses	\$ 48,558,646	\$ 18,767,777	\$ 24,124,158	\$ 5,666,712

The Information Technology Division provides IT services including hardware, software, programming, data storage, telecommunications services, etc. to the entire organization. The Information Technology division includes the following cost centers:

Technology Services	Business Administration
Security	Enterprise Architecture
Enterprise Systems	Data Center Services
Technology Solutions Center	Systems Engineering
Storage	Network
Telephony	Enterprise Information Management
Database Management	Continuous Integration
Corporate Business Systems	Personal Lines core systems
Commercial Lines core systems	Claims core systems

Administrative expenses for the Information Technology division include \$2.9 million for the Core systems project. If such costs are excluded, IT administrative costs are budgeted to increase 3.9%. Such increase is primarily related to: costs associated with IT hardware such as computers and multi-year contracts for Information Technology hardware and software entered into in previous years that are due for renewal.

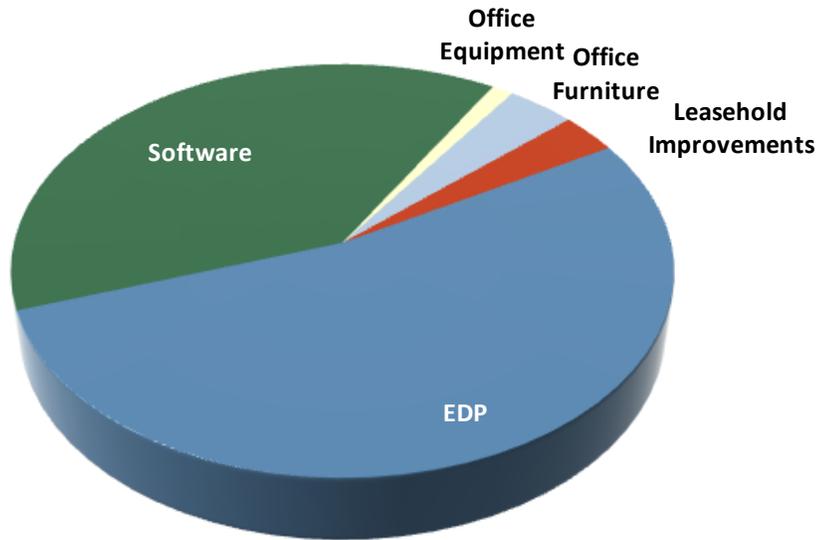
Administrative Expenses	2011			2010			2010			2009	
	Budget	% Total	% Chg	Projected	% Total	% Var	Budget	% Total	% Chg	Actual	% Total
Salaries	\$ 17,613,613	37.3%	0.9%	\$ 17,450,163	41.0%	-9.3%	\$ 19,247,300	36.5%	16.6%	\$ 16,512,698	38.7%
Employee Benefits	3,629,243	7.7%	14.1%	3,179,708	7.5%	-11.6%	3,595,275	6.8%	29.0%	2,787,740	6.5%
Payroll Taxes	1,315,666	2.8%	1.8%	1,292,519	3.0%	-10.7%	1,446,609	2.7%	17.6%	1,230,398	2.9%
Temporary Services	742,170	1.6%	14.8%	646,444	1.5%	8.5%	595,875	1.1%	378.1%	124,634	0.3%
Training	460,260	1.0%	30.7%	352,155	0.8%	-52.7%	744,798	1.4%	91.8%	388,346	0.9%
Recruiting	-	0.0%	-100.0%	7,500	0.0%	-50.7%	15,200	0.0%	100.0%	-	0.0%
Printing	20,100	0.0%	167.5%	7,515	0.0%	226.7%	2,300	0.0%	15.0%	2,000	0.0%
Operating Supplies	716,880	1.5%	130.7%	310,679	0.7%	-44.7%	561,560	1.1%	-51.7%	1,161,762	2.7%
Subscriptions & Dues	49,617	0.1%	-85.0%	331,100	0.8%	-21.5%	421,652	0.8%	169.5%	156,466	0.4%
Postage	9,900	0.0%	37.4%	7,205	0.0%	-59.9%	17,948	0.0%	675.4%	2,315	0.0%
Telecommunications	3,075,981	6.5%	-33.1%	4,594,680	10.8%	-6.7%	4,926,167	9.4%	23.5%	3,988,434	9.4%
Legal	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Insurance	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Travel & Meals	397,527	0.8%	22.7%	323,978	0.8%	-43.1%	569,341	1.1%	99.1%	286,001	0.7%
Professional Consulting	12,002,619	25.4%	28.5%	9,342,720	21.9%	-33.7%	14,085,101	26.7%	42.7%	9,872,488	23.2%
Miscellaneous	210	0.0%	101%	(20,540)	0.0%	#####	105	0.0%	-81.2%	558	0.0%
Rent - Facilities	125,000	0.3%	-73.2%	465,921	1.1%	3.5%	450,000	0.9%	2138%	20,107	0.0%
Rent - Ofc Equip & Furn	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	-100.0%	(5,400)	0.0%
Producer Fees Collected	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Maintenance & Repairs	567,700	1.2%	119.7%	258,339	0.6%	2483%	10,000	0.0%	-97.9%	482,189	1.1%
Bank Charges	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Software Maint & Licensing	6,475,740	13.7%	59.9%	4,050,180	9.5%	-32.2%	5,977,702	11.4%	6.3%	5,622,886	13.2%
FMAP Funding	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Total Admin (Excluding Non-cash)	47,202,225	100.0%	10.8%	42,600,266	100.0%	-19.1%	52,666,933	100.0%	23.5%	42,633,622	100.0%
Non-cash Items											
Depreciation	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
ULAE Expense Allocation	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Total Administrative Expenses	\$ 47,202,225	100.0%	10.8%	\$ 42,600,266	100.0%	-19.1%	\$ 52,666,933	100.0%	23.5%	\$ 42,633,622	100.0%

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**Board of Governors Meeting
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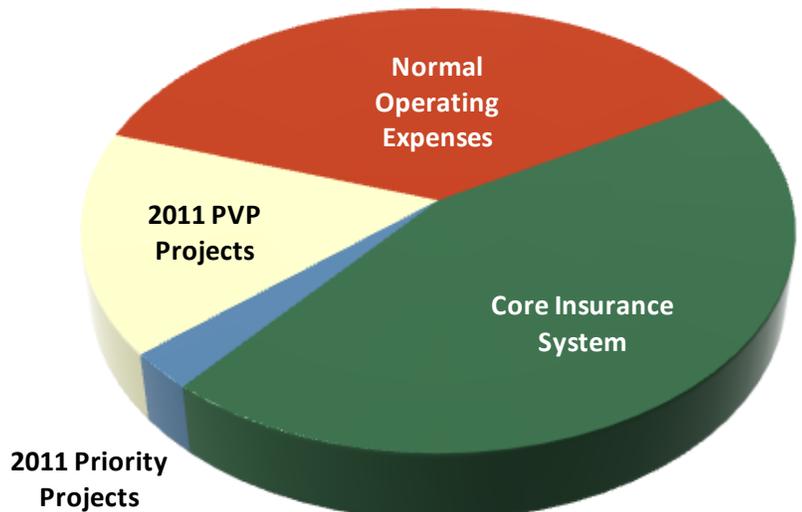
2011 Capital Acquisitions by Type

EDP	\$ 5,870,000	53.2%
Software	4,274,500	38.7%
Office Equipment	132,772	1.2%
Office Furniture	415,000	3.8%
Leasehold Improvements	350,000	3.2%
Total 2011 Budget	\$ 11,042,272	100.0%



2011 Capital Acquisitions by Initiative

Core Insurance System	\$ 4,913,000	44.5%
2011 Priority Projects	300,000	2.7%
2011 PVP Projects	1,787,000	16.2%
Normal Operating Expenses	4,042,272	36.6%
Total 2011 Budget	\$ 11,042,272	100.0%



Division	Total 2011
Administration	872,500
Financial Services	57,000
Insurance Operations	70,272
Information Technology	10,042,500
Enterprise Resources	0

2011 Budgeted Capital Acquisitions	11,042,272
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Acquisitions by Corporate Initiative	Total 2011
1 - Core Insurance System	4,913,000
2 - Inspection Program	0
3 - 2011 Priority Projects	300,000
4 - 2011 PVP Projects	1,787,000
5 - Normal Operating Expenses	4,042,272

2011 Budgeted Capital Acquisitions	11,042,272
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Acquisitions by Asset Type	Total 2011
1 - EDP	5,870,000
2 - Software	4,274,500
3 - Automobiles	0
4 - Office Equipment	132,772
5 - Office Furniture	415,000
6 - Leasehold Improvements	350,000

2011 Budgeted Capital Acquisitions	11,042,272
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2011

Operating Budget

Contingency Income Statement

Budgeted vs. PML (5, 25, 100-year)

	2011 Budget	10 Year PML	25 Year PML	100 Year PML
Premiums				
Direct Earned Premiums	2,789,521,137	2,789,521,137	2,789,521,137	2,789,521,137
Ceded Earned Premiums	(623,214,142)	(623,214,142)	(623,214,142)	(623,214,142)
Net Earned Premiums	2,166,306,995	2,166,306,995	2,166,306,995	2,166,306,995
Underwriting Expense				
Losses Incurred	863,957,796	3,342,820,796	4,216,090,796	16,573,272,796
Loss Adjustment Expense	148,343,472	543,036,469	1,048,169,976	3,335,620,948
Servicing Carrier Fees	8,815,216	8,815,216	8,815,216	8,815,216
Producer Commissions	260,000,535	260,000,535	260,000,535	260,000,535
Ceding Commissions	(4,783,349)	(4,783,349)	(4,783,349)	(4,783,349)
Taxes & Assessments	46,392,827	46,392,827	46,392,827	46,392,827
Administrative Expenses	136,434,741	138,496,197	141,588,380	157,049,299
Other Underwriting Expense	18,539,302	18,539,302	18,539,302	18,539,302
Other Processing Expenses	1,594,344	1,594,344	1,594,344	1,594,344
Total Underwriting Expenses	1,479,294,884	4,354,912,337	5,736,408,027	20,396,501,918
Net Underwriting Income	687,012,111	(2,188,605,342)	(3,570,101,032)	(18,230,194,923)
Other Income (Expenses)				
Investment Income - Net	61,042,221	57,258,362	55,317,821	51,228,113
Interest Expense - Net	(163,010,848)	(163,010,848)	(163,010,848)	(163,010,848)
L.O.C. Fees & Notes Issued Cost	-	-	-	-
Take-out Bonuses	-	-	-	-
Assessment Income	49,690,342	49,690,342	49,690,342	49,690,342
Other Income and Expense	5,571,713	5,571,713	5,571,713	5,571,713
Total Other Income (Expense)	(46,706,572)	(50,490,431)	(52,430,973)	(56,520,681)
Net Income (Loss)	\$ 640,305,539	\$ (2,239,095,773)	\$ (3,622,532,005)	\$ (18,286,715,603)
Projected 12/31/10 Surplus	\$ 4,534,372,888			
Projected 12/31/11 Surplus	\$ 5,174,678,427			

*Net of Projected FHCF Mandatory Layer Recoveries

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