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Potential Assessments from Florida Hurricanes

Office of the Insurance Consumer Advocate
State of Florida

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TABLE OF CONTENTS

SCOPE

The purpose of this report is to provide estimates of the total combined assessment rates and assessment dollar amounts expected to be levied by the Florida Hurricane Catastrophe Fund (FHCF), Citizens Property Insurance Corporation (Citizens) and Florida Insurance Guaranty Association (FIGA) for a 1 in 25 year, 1 in 50 year, and 1 in 100 year hurricane.

LIMITATIONS

This report is based on a single hurricane event and does not consider possible assessments due to multiple hurricane events. The conclusions of this report are developed in the accompanying text and exhibits, which together comprise the report and are related to its stated purpose only and may not be applicable for other purposes. This report should only be distributed in its entirety and should not replace the due diligence on behalf of any third party.

The author reserves the right to make or approve any changes to this report. Judgments as to the conclusions, indications, methods, and data contained in this report should be made only after studying the report in its entirety. The author is available to explain any matter presented herein and assumes that the user of the report will seek such explanation as to any matter in question.

EXECUTIVE SUMMARY

In Florida there are three entities that may levy assessments due to personal residential property insurance claims: 1) Florida Hurricane Catastrophe Fund (FHCF), 2) Citizens Property Insurance Corporation (Citizens), and 3) the Florida Insurance Guaranty Association (FIGA). These three entities may levy assessments as necessary to cure deficits and retire indebtedness.

The estimated combined total assessment rates as a percentage of annual homeowners' auto and business premiums that may be levied by the FHCF, Citizens and FIGA for a 1 in 25 year, a 1 in 50 year, or a 1 in 100 year hurricane are summarized in the following table. Assessment rates upon policyholders of private insurance companies are shown separately from assessment rates upon Citizens' policyholders.

Florida Residential Property Insurance
Estimated Average Assessment Percentages

	1 in 25 Year Hurricane		1 in 50 Year Hurricane		1 in 100 Year Hurricane	
	Citizens	Private	Citizens	Private	Citizens	Private
Homeowners	10.6%	10.6%	54.5%	41.5%	125.4%	82.4%
Auto	9.6%	9.6%	33.4%	33.4%	56.5%	56.5%
Business	10.6%	10.6%	41.5%	41.5%	82.4%	82.4%

Current Florida law does not allow single year assessments as large as shown in the above table; consequently they must be spread over several years and may increase due to financing costs.

The above estimated assessment percentages include assessments from FIGA for failed insurers. Failed insurers have multiple sources of funding available such as policyholder surplus, FHCF reinsurance, private reinsurance and unearned premium reserves to fund losses. There is always some risk of insurer failure after a hurricane, because: 1) actual hurricane losses may vary widely from hurricane model estimates, 2) individual insurers will be impacted differently depending upon where a storm makes landfall, and 3) reinsurance programs vary between insurers.

The following chart summarizes assessments from all sources for the 2004 and 2005 hurricanes. For current assessments, the number of years is an estimate, and such assessments will continue to be levied for as long as necessary to retire indebtedness:

Entity with Deficit	Deficit Year	Assessment Type	Percent of Premium Assessed	Effective Date	Years	Policyholders Paying
Citizens	2004	Regular	6.08%	August-05	1	Voluntary Market
Citizens	2005	Regular	2.07%	July-07	1	Voluntary Market
Citizens	2005	Emergency	1.40%	July-07	4	Voluntary Market & Citizens
Citizens	2005	Emergency	1.00%	July-11	6	Voluntary Market & Citizens
CAT Fund	2005	Emergency	1.00%	January-07	4	Voluntary Market & Citizens
CAT Fund	2005	Emergency	1.30%	January-11	5	Voluntary Market & Citizens
FIGA	2006	Regular	2.00%	July-06	1	Voluntary Market & Citizens
FIGA	2006	Emergency	2.00%	January-07	1	Voluntary Market & Citizens
FIGA	2006	Regular	2.00%	October-07	1	Voluntary Market & Citizens

FLORIDA HURRICANE CATASTROPHE FUND

(Reference: 215.555 (6) (b), F.S.)

FHCF Emergency Assessments

FHCF emergency assessments apply to all property and casualty lines of business, including surplus lines, but excluding workers' compensation, medical malpractice, accident and health, and federal flood. The current FHCF emergency assessment of 1.3% is for the purpose of financing the FHCF's shortfall from the 2005 hurricane season.

The FHCF issued bonds funded by a 1% assessment on premiums for all policies renewed after January 1, 2007. The assessment percentage of 1% was increased to 1.3% for an estimated five years and was effective on all policies written or renewed after January 1, 2011.

A policy is not subject to FHCF annual emergency assessments in excess of 6 percent of premium for one contract year or 10 percent of premium for multiple contract years. An FHCF annual emergency assessment continues until the revenue bonds issued with respect to the assessment are retired.

CITIZENS PROPERTY INSURANCE CORPORATION

(Reference: Section 627.351(6), F.S.)

According to Florida Law, Citizens is required to maintain three distinct deposit accounts: 1) Coastal Account, 2) Personal Lines Account (PLA), and 3) Commercial Lines Account (CLA). These accounts are kept separate and assessments are calculated and levied based upon deficits incurred in each individual account.

Deficits in each account are recouped through assessments and policyholder surcharges. Assessments and surcharges continue as long as necessary to cure deficits or retire indebtedness. For the Coastal deficit in plan year 2004, Citizens levied a regular one-year assessment of 6.08%. For the Coastal deficit in plan year 2005, Citizens levied a regular one-year assessment of 2.07% and an emergency assessment of 1.4% to be charged for an estimated 10 years.

Citizens Policyholder Surcharge (Tier 1)

If a deficit is incurred in any individual account (Coastal, PLA or CLA), up to a 15% of premium surcharge may be required for 12 months on all Citizens' policies. If there is a deficit in all three accounts, Citizens policyholders could receive up to a 45% of premium surcharge for 12 months: 15% for the Coastal Account deficit, 15% for the PLA deficit and 15% for the CLA deficit.

Regular Assessment (Tier 2)

The regular assessment provision was changed in the 2012 Regular Session of the Florida Legislature by HB 1127. If the 15.0% Tier 1 surcharge for the Coastal Account is insufficient to fully cure the Coastal Account deficit, a regular assessment of up to 2% of assessable direct written premium may be imposed upon admitted and surplus lines property and casualty policies, including auto insurance (but excluding workers compensation, medical malpractice, federal flood and crop) to fund the Coastal Account deficit. Citizens' policyholders <u>are not subject</u> to the regular assessment.

Emergency Assessment (Tier 3)

If the deficits are not fully cured by Tier 1 and 2 assessments for any of the three Citizens' accounts, an emergency assessment of up to 10% of direct written premium or 10% of the deficit, whichever is greater, may be required for each Citizens account. This applies to admitted and surplus lines property and casualty policies, including auto insurance (but excluding workers compensation, medical malpractice, federal flood and crop). Citizens' policyholders <u>are subject</u> to the emergency assessment. The emergency assessment may be collected for as many years as necessary to cure the deficits in each account, but not to exceed 10% in any calendar year per account.

FLORIDA INSURANCE GUARANTY ASSOCIATION

(Reference: Chapter 631, F.S.)

According to Florida Law, the Florida Insurance Guaranty Association (FIGA) is required to maintain three distinct deposit accounts: 1) Automobile Liability Account, 2) Automobile Physical Damage Account, and a 3) All Other Lines Account. These accounts are kept separate and assessments are calculated and levied based upon deficits incurred in each individual account.

The All Other Lines Account pays residential and commercial property hurricane losses of insolvent insurers. The assessment base of the All Other Lines Account excludes the assessment bases of the Automobile Liability and Automobile Physical Damage Accounts. Additionally, the All Other Lines Account assessment base excludes the following lines of business: 1) life and health, 2) workers compensation, 3) title insurance, and 4) surplus lines. Life and health and workers compensation claims of insolvent insurers are covered by other Florida guaranty associations.

FIGA assessments are paid by insurers and passed on to policyholders as surcharges on their policies. Insurer annual assessments and policyholder annual surcharges may continue as long as necessary to cure deficits or retire indebtedness. FIGA has made the following recent All Other Lines Account one-year assessments: 1) a 2% regular assessment on July 21, 2006, 2) a 2% emergency assessment on December 15, 2006, and 3) a 2% regular assessment on October 29, 2007.

Regular Assessment

Regular assessments are one-time assessments that do not exceed 2% percent of an insurer's net direct written premiums during the preceding calendar year for the kinds of insurance included within one of the three distinct FIGA deposit accounts.

Emergency Assessment

In addition to regular assessments, FIGA may levy emergency assessments for the payment of claims of insurers rendered insolvent by hurricanes s. 631.57(3)(e), F.S. Emergency assessments payable by an insurer shall not exceed 2% of that insurer's direct written premiums during the preceding calendar year for the All Other Lines Account. Emergency assessments may be collected for as many years as necessary to cure the deficit, but not to exceed 2% in any calendar year.

PROJECTED ASSESSMENTS

Projected 2011 Funding

FHCF

It is assumed in this report that there will be no shortfall in the FHCF's claims paying capacity for the 2012/2013 contract year. The FHCF's maximum claims-paying capacity for the 2012/2013 contract year is estimated to be $17.664 ($17.000 billion of mandatory coverage, and $.664 billion of Temporary Increase in Coverage Limits (TICL) coverage.

On October 18, 2011, the financial advisor to the FHCF, Raymond James, estimated the FHCF's claims-paying capacity for the 2011/2012 contract season to be $15.170 billion, which was $3.219 billion below the FHCF's total potential maximum claims paying obligation of $18.389 ($17.000 billion of mandatory coverage, $.994 billion of Temporary Increase in Coverage Limits (TICL) coverage and $.395 billion of limited apportionment company (LAC) coverage.

The Raymond James estimate was based upon $7.170 billion of available assets and an estimated bonding capacity of $8.0 billion over twelve months. However, this report assumes that: 1) not all claims will require payment within twelve months after a hurricane, and consequently, there will be no shortfall in claims-paying capacity over a more extended bonding period, 2) there will be an additional year's premiums available to pay claims (projected assets of $8.40 billion at 12/31/12), and 3) the expiration of limited apportionment company (LAC) coverage for the 2012/13 contract year according to current law (s. 215.555 (4) b4., F.S.).

Citizens

The total projected maximum funding capacity including Citizen's pre-event bonding for the 2012/2013 contract year is $17.095 billion (Exhibit 6, Row (8)). This is the maximum projected amount of funding that Citizens will have available to pay claims and claim adjustment expenses as of 12/30/12 assuming Citizens receives full reimbursement of reinsured losses from the FHCF for the mandatory layer. Citizens did not purchase TICL coverage from the FHCF for the 2011/2012 contract year and is not expected to purchase such coverage for the 2012/2013 contract year.

The $17.095 billion funding is estimated to be composed of net assets ($5.612 billion), pre-event borrowing ($3.746 billion), net income for the 2012/2013 contract year ($.572 billion), projected private reinsurance ($.575 billion), and FHCF mandatory layer reinsurance ($6.590 billion). Citizen’s post-event bonding capacity is unknown and may be constrained by “crowding out” of available capacity by the FHCF and FIGA after a major storm.

Even though Citizens has pre-event bonding of $3.746 billion, it is assumed in this report that Citizens will assess insurers to retire such pre-event bonds after a hurricane. By Florida law, surplus in one Citizens account cannot reduce deficits in other Citizens' accounts. However, the surpluses and deficits of the PLA and CLA accounts have been combined in this analysis to match Citizens presentation to the Florida Cabinet, June, 2011.

FIGA

The total projected funding capacity for 2012 for FIGA is unknown and may be constrained by “crowding out” of available capacity by the FHCF and Citizens. FIGA does not accrue cash and invested assets in anticipation of potential bankruptcies and therefore depends entirely upon post-bankruptcy assessments and bonding capacity to pay claims.

Failed insurers have multiple sources of funding available such as policyholder surplus, FHCF reinsurance, private reinsurance and unearned premium reserves to fund losses. There is always some risk of insurer failure after a hurricane, because: 1) actual hurricane losses may vary widely from hurricane model estimates, 2) individual insurers will be impacted differently because of varying geographic distributions of business compared to where a storm makes landfall, and 3) reinsurance programs vary between insurers.

Key Assumptions

1) Only $.664 billion of the maximum available optional TICL coverage of $4.0 billion will be purchased by FHCF contract holders for the 2012/2013 contract year.

2) The FHCF will have a maximum funding capacity of $17.664 billion in projected cash and post-event bonding requiring assessments on Florida policyholders.

3) Citizens will have a total funding capacity of $17.095 billion from surplus, pre-event bonding, private reinsurance, and recoveries from the FHCF.

4) Loss estimates are for personal and commercial residential exposures only and do not include auto or commercial non-residential exposures.

5) Estimated total industry losses are a weighted average of the Florida Commission on Hurricane Loss Projection Methodology's five approved models based upon page 56, *FHCF 2011 Ratemaking Formula Report* using weights selected by the FHCF in the FHCF's insured layer.

6) Average annual payment percentages assume financing is available for 30 years at a 10.0% annual interest rate to fund all assessments including substantially higher first year assessments for larger storms.

7) Some financing may be done by the assessing entities and the balance may require financing by individual policyholders.

8) Citizens' losses and LAE based on actuarial judgment and Citizens' presentation to Florida Cabinet, June, 2011.

9) The FHCF's projected cash balance based on Raymond James, *Report Prepared for The Florida Hurricane Catastrophe Fund, Claims Paying Capacity Estimates, October 18, 2011*.

10) 25.0%, 75.0%, and 100.0% of TICL coverage will be needed for 25, 50, and 100 year storms, respectively based on actuarial judgment.

11) TICL layer uptake rate of 16.6% unchanged from 2011/2012 contract year.

Data Sources

1) Page 56, *FHCF 2011 Ratemaking Formula Report*

2) Raymond James, *Report Prepared for The Florida Hurricane Catastrophe Fund, Claims Paying Capacity Estimates, October 18, 2011*.

3) *2010/2011 FHCF Coverage Selections and Premium Calculations Report*

4) Citizens Property Insurance Corporation, GAAP Consolidated Statement of Net Assets, December 31, 2010

5) Citizens Property Insurance Corporation, 2012 Operating Budget

6) Citizens Property Insurance Corporation, 2010 GAAP Annual Statement

7) Citizens Property Insurance Corporation, presentation to the Florida Cabinet, June, 2011.

8) Surplus lines assessable premiums provided by Raymond James

9) Other lines assessable premium data from Florida Office of Insurance Regulation, Market Research Unit based on FHCF and Citizens assessment reports filed with the OIR by active companies

10) NAIC I-Site Database

11) NAIC, *Reports on Profitability by Line by State, State of Florida, Homeowners Multiple Peril, 2005 and 2006*

1 in 25 Year Hurricane

It is expected that a 1 in 25 year hurricane will cause approximately $21.47 billion in residential wind losses and loss adjustment expenses net of policyholder deductibles. This loss estimate excludes non-residential commercial losses and losses from flood, storm surge, and uninsured economic losses.

It is estimated that Citizens will have sufficient liquidity to pay its losses without assessments and the FHCF will incur a deficit of $3.21 billion (Exhibit 5, Row 3) beyond its current liquidity that will require assessments and bonding.

If a 1 in 25 year storm makes landfall in the vicinity of Miami or Tampa, it is estimated that some domestic insurers will fail due to high concentrations of risk in these areas, but after consideration of these insurers' surplus, reinsurance recoveries and unearned premium reserves, the gross FIGA liability is estimated to be only $200 million (Exhibit 10) prior to the application of the $300,000 loss limit or $500,000 loss limit for the structure and contents portions of homeowners policies per s. 631.57(1)(a)2, F.S.

The estimated total unfunded deficit requiring assessments is $3.41 billion due almost entirely to FHCF assessments. The following table summarizes the losses and the projected deficits of the FHCF and FIGA ($billions):

	1 in 25 Year Hurricane				
	Citizens				
	Coastal	PLA/CLA	Subtotal	Privately Insured Losses	Total Market
Losses & LAE	5.66	2.78	8.44	13.03	21.47
Mandatory Recoveries from FHCF	3.18	1.50	4.67	6.95	11.45
TICL Recoveries from FHCF	-	-	-	0.17	0.17
Total FHCF Recoveries	3.18	1.50	4.67	7.11	11.61
Private Reinsurance	-		-	n/a	n/a
Net Losses & LAE	2.48	1.28	3.77	5.92	9.86
Accumulated Policyholder Surplus	3.04	3.15	6.18	n/a	n/a
Deficit	-	-	-	0.20	0.20
FHCF Deficit					3.21
Total Deficit Requiring Assessments					3.41

1 in 50 Year Hurricane

It is expected that a 1 in 50 year hurricane will cause approximately $34.56 billion in residential wind losses and loss adjustment expenses net of policyholder deductibles. This loss estimate excludes non-residential commercial losses and losses from flood, storm surge, and uninsured economic losses.

It is estimated that only the Citizens Coastal account will incur a deficit of $2.60 billion and the FHCF will incur a deficit of $9.10 billion (Exhibit 5, Row 3) beyond its current liquidity that will require assessments and bonding. The combination of the PLA and CLA accounts is not expected to have a deficit. These two accounts have been combined to be consistent with the Citizens Property Insurance Corporation presentation to the Florida Cabinet, June, 2011.

A 1 in 50 year storm is expected to make landfall in the vicinity of Miami or Tampa. For such a storm it is estimated that some Florida domestic insurers will fail due to high concentrations of risk in these areas, but after consideration of these insurers' surplus, reinsurance recoveries and unearned premium reserves, the gross FIGA liability is estimated to be $1.6 billion (Exhibit 10) prior to the application of the $300,000 loss limit or $500,000 loss limit for the structure and contents portions of homeowners policies per s. 631.57(1)(a)2, F.S.

The estimated total deficit requiring assessments is $13.29 billion (the surplus in the combined PLA/CLA account may not by law be used to reduce the deficit in the Coastal account). The following table summarizes the losses and the deficits of the three Citizens accounts, the FHCF, and FIGA ($billions):

	1 in 50 Year Hurricane				
	Citizens				
	Coastal	PLA/CLA	Subtotal	Privately Insured Losses	Total Market
Losses & LAE	10.22	5.04	15.25	19.30	34.56
Mandatory Recoveries from FHCF	4.01	2.58	6.59	10.29	17.00
TICL Recoveries from FHCF	-	-	-	0.50	0.50
Total FHCF Recoveries	4.01	2.58	6.59	10.79	17.50
Private Reinsurance	0.58		0.58	n/a	n/a
Net Losses & LAE	5.63	2.46	8.09	8.51	17.06
Accumulated Policyholder Surplus	3.04	3.15	6.18	n/a	n/a
Deficit	2.60	-	2.60	1.60	4.20
FHCF Deficit					9.10
Total Deficit Requiring Assessments					13.29

1 in 100 Year Hurricane

It is expected that a 1 in 100 year hurricane will cause approximately $49.77 billion in residential wind losses and loss adjustment expenses net of policyholder deductibles. This loss estimate excludes non-residential commercial losses and losses from flood, storm surge, and uninsured economic losses.

It is estimated that all Citizens' accounts will incur deficits totaling $11.27 billion and the FHCF will incur a deficit of $9.26 billion (Exhibit 5, Row 3) beyond its current liquidity that will require assessments and bonding.

A 1 in 100 year storm is expected to make landfall in the vicinity of Miami or Tampa. For such a storm it is estimated that some Florida domestic insurers will fail due to high concentrations of risk in these areas, but after consideration of these insurers' surplus, reinsurance, and unearned premium reserves, the gross FIGA liability is estimated to be $5.1 billion (Exhibit 10) prior to the application of the $300,000 loss limit or $500,000 loss limit for the structure and contents portions of homeowners policies per s. 631.57(1)(a)2, F.S.

The estimated total deficit requiring assessments is $25.63 billion. The following table summarizes the losses and the deficits of the three Citizens accounts, the FHCF, and FIGA ($billions):

	1 in 100 Year Hurricane				
	Citizens				
	Coastal	PLA/CLA	Subtotal	Privately Insured Losses	Total Market
Losses & LAE	15.99	8.63	24.62	25.16	49.77
Mandatory Recoveries from FHCF	4.01	2.58	6.59	13.41	17.00
TICL Recoveries from FHCF	-	-	-	0.66	0.66
Total FHCF Recoveries	4.01	2.58	6.59	14.08	17.66
Private Reinsurance	0.58		0.58	n/a	n/a
Net Losses & LAE	11.41	6.05	17.45	11.08	32.11
Accumulated Policyholder Surplus	3.04	3.15	6.18	n/a	n/a
Deficit	8.37	2.90	11.27	5.10	16.37
FHCF Deficit					9.26
Total Deficit Requiring Assessments					25.63

EXHIBITS 1 – 10

Exhibit 1

Florida Residential Property Insurance
Estimated Average Assessment Percentages

	1 in 25 Year Hurricane		1 in 50 Year Hurricane		1 in 100 Year Hurricane	
	Citizens	Private	Citizens	Private	Citizens	Private
Homeowners	10.6%	10.6%	54.5%	41.5%	125.4%	82.4%
Auto	9.6%	9.6%	33.4%	33.4%	56.5%	56.5%
Business	10.6%	10.6%	41.5%	41.5%	82.4%	82.4%

Notes:
(1) Based on Exhibit 2
(2) Homeowners premiums exclude federal flood insurance. Business premiums exclude workers compensation, federal flood, medical malpractice and miscellaneous other premiums. See Exhibit 8 for a complete list of assessable lines of business.

Exhibit 2

Florida Residential Property Insurance
Estimated Average Assessment Percentages

	1 in 25 Year Hurricane				1 in 50 Year Hurricane				1 in 100 Year Hurricane			
	Citizens Policyholders		Private Policyholders		Citizens Policyholders		Private Policyholders		Citizens Policyholders		Private Policyholders	
Assessing Entity	Total	Average Annual	Total	Average Annual	Total	Average Annual	Total	Average Annual	Total	Average Annual	Total	Average Annual
Homeowners / Dwelling Premiums												
Citizens	0.0%	0.0%	0.0%	0.0%	19.3%	2.0%	6.3%	0.7%	71.9%	7.6%	28.9%	3.1%
FHCF	9.6%	1.0%	9.6%	1.0%	27.1%	2.9%	27.1%	2.9%	27.6%	2.9%	27.6%	2.9%
FIGA	1.0%	0.1%	1.0%	0.1%	8.1%	0.9%	8.1%	0.9%	25.9%	2.8%	25.9%	2.8%
Total	10.6%	1.1%	10.6%	1.1%	54.5%	5.8%	41.5%	4.4%	125.4%	13.3%	82.4%	8.7%
Auto Premiums												
Citizens	0.0%	0.0%	0.0%	0.0%	6.3%	0.7%	6.3%	0.7%	28.9%	3.1%	28.9%	3.1%
FHCF	9.6%	1.0%	9.6%	1.0%	27.1%	2.9%	27.1%	2.9%	27.6%	2.9%	27.6%	2.9%
FIGA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	9.6%	1.0%	9.6%	1.0%	33.4%	3.5%	33.4%	3.5%	56.5%	6.0%	56.5%	6.0%
Business Premiums												
Citizens	0.0%	0.0%	0.0%	0.0%	6.3%	0.7%	6.3%	0.7%	28.9%	3.1%	28.9%	3.1%
FHCF	9.6%	1.0%	9.6%	1.0%	27.1%	2.9%	27.1%	2.9%	27.6%	2.9%	27.6%	2.9%
FIGA	1.0%	0.1%	1.0%	0.1%	8.1%	0.9%	8.1%	0.9%	25.9%	2.8%	25.9%	2.8%
Total	10.6%	1.1%	10.6%	1.1%	41.5%	4.4%	41.5%	4.4%	82.4%	8.7%	82.4%	8.7%

Notes:
(1) Based on Exhibits 3 and 5
(2) Homeowners premiums exclude federal flood. Business premiums exclude workers compensation, federal flood, medical malpractice and miscellaneous other premiums. See Exhibit 8 for a complete list of assessable lines of business.
(3) Average annual payment percentages assume financing is available for 30 years at a 10.0% annual interest rate to fund all assessments including substantially higher first year assessments for larger storms. It is assumed that some of this financing may be done by the assessing entities and the balance may require financing by individual policyholders. Citizens policyholders will experience significant first year assessments for 1 in 100 year hurricane that may require personal financing to be affordable.

Exhibit 3

Citizens
Estimated Average Assessment Rates
($Billions)

		1 in 25 Year Hurricane			1 in 50 Year Hurricane			1 in 100 Year Hurricane		
		Coastal	PLA/CLA	Subtotal	Coastal	PLA/CLA	Subtotal	Coastal	PLA/CLA	Subtotal
(1)	Deficit (Surplus)	-	-	-	2.60	-	2.60	8.37	2.90	11.27
(2)	Tier 1 Assessment Base	3.63	3.63		3.63	3.63		3.63	3.63	
(3)	Current Assessment Rate	1.4%	1.4%		1.4%	1.4%		1.4%	1.4%	
(4)	Maximum One Year Assessment Rate	15.0%	30.0%		15.0%	30.0%		15.0%	30.0%	
(5)	Tier 1 Assessment Rate	0.0%	0.0%		15.0%	0.0%	15.0%	15.0%	30.0%	45.0%
(6)	Tier 1 One Year Assessment	-	-	-	0.54	-	0.54	0.54	1.09	1.63
(7)	Remaining Deficit (Surplus)	-	-	-	2.05	-	2.05	7.83	1.81	9.63
(8)	Tier 2 Assessment Base	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
(9)	Current Assessment Rate	0.0%	0.0%		0.0%	0.0%		0.0%	0.0%	
(10)	Maximum Account Assessment Rate	2.0%	0.0%		2.0%	0.0%		2.0%	0.0%	
(11)	Tier 2 Assessment Rate	0.0%	0.0%	0.0%	2.0%	0.0%	2.0%	2.0%	0.0%	2.0%
(12)	Tier 2 One Year Assessment	-	-	-	0.60	-	0.60	0.60	-	0.60
(13)	Remaining Deficit	-	-	-	1.45	-	1.45	7.23	1.81	9.04
(14)	Tier 3 Assessment Base	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6
(15)	Current Assessment Rate	0.0%	0.0%		0.0%	0.0%		0.0%	0.0%	
(16)	Max Account Single Year Assessment Rate	10.0%	10.0%		10.0%	10.0%		10.0%	10.0%	
(17)	Tier 3 One Year Assessment Rate			0.00%			4.32%			26.9%
(18)	Number of Years to Cure Remaining Deficit			30.00			30.00			30.00
(19)	Annual Tier 3 Assessment Rate			0.00%			0.46%			2.85%

Notes:

(1) Exhibit 4, Row (8)
(2) Citizens Property Insurance Corporation 2012 Budget
(3) Citizens Property Insurance Corporation
(4) & (5) Section 627.351(6), F.S.
(6) (2) x (5).
(7) (1) - (6)
(8) Exhibit 8
(9) Citizens Property Insurance Corporation
(10) & (11) Section 627.351(6), F.S. and HB 1127, 2012 Regular Session
(12) (8) x (11)
(13) Excess of (7) over (12)
(14) Exhibit 7
(15) Citizens Property Insurance Corporation
(16) Section 627.351(6), F.S.
(17) (13) / (14)
(18) actuarial judgment
(19) Annual assessment at 10.0% annual interest to cure deficit in Row (18) years based on Raymond James, ***Report Prepared for The Florida Hurricane Catastrophe Fund, Claims Paying Capacity Estimates, October 18, 2011***

Exhibit 4

Florida Residential Property Insurance
Estimated Deficits
($Billions)

		1 in 25 Year Hurricane					1 in 50 Year Hurricane					1 in 100 Year Hurricane				
		Citizens					Citizens					Citizens				
		Coastal	PLA/CLA	Subtotal	Privately Insured Losses	Total Market	Coastal	PLA/CLA	Subtotal	Privately Insured Losses	Total Market	Coastal	PLA/CLA	Subtotal	Privately Insured Losses	Total Market
(1)	Losses & LAE	5.66	2.78	8.44	13.03	21.47	10.22	5.04	15.25	19.30	34.56	15.99	8.63	24.62	25.16	49.77
(2)	Mandatory Recoveries from FHCF	3.18	1.50	4.67	6.95	11.45	4.01	2.58	6.59	10.29	17.00	4.01	2.58	6.59	13.41	17.00
(3)	TICL Recoveries from FHCF	-	-	-	0.17	0.17	-	-	-	0.50	0.50	-	-	-	0.66	0.66
(4)	Total FHCF Recoveries	3.18	1.50	4.67	7.11	11.61	4.01	2.58	6.59	10.79	17.50	4.01	2.58	6.59	14.08	17.66
(5)	Private Reinsurance	-		-	n/a	n/a	0.58		0.58	n/a	n/a	0.58		0.58	n/a	n/a
(6)	Net Losses & LAE	2.48	1.28	3.77	5.92	9.86	5.63	2.46	8.09	8.51	17.06	11.41	6.05	17.45	11.08	32.11
(7)	Accumulated Policyholder Surplus	3.04	3.15	6.18	n/a	n/a	3.04	3.15	6.18	n/a	n/a	3.04	3.15	6.18	n/a	n/a
(8)	Deficit	-	-	-	0.20	0.20	2.60	-	2.60	1.60	4.20	8.37	2.90	11.27	5.10	16.37
(9)	FHCF Deficit					3.21					9.10					9.26
(10)	Total Deficit Requiring Assessments					3.41					13.29					25.63

Notes:

(1) - (4) Citizens losses and LAE based on actuarial judgment and Citizens presentation to Florida Cabinet, June, 2011. Total Market losses and LAE based on Exhibit 9, Sheet 1, Column (4). FHCF recoveries based on Exhibit 5.
(5) Citizens presentation to the Florida Cabinet, June, 2011.
(6) (1) - (4) - (5)
(7) Citizens presentation to the Florida Cabinet, June, 2011.
(7) Exhibit 6, Row (9)
(8) Excess of (6) over (7). Deficits of private insurers that become the obligation of the Florida Insurance Guaranty Association (FIGA) based on Exhibit 10. FIGA deficits are before consideration of $300,000 and $500,000 loss limits per s. 631.57(1)(a)2., F.S.
(9) Exhibit 5, Row (3)
(10) (8) + (9). By law surplus in one Citizens account cannot reduce deficits in other Citizens' accounts per s. 627.351(6)(a)7., F.S. However, the PLA and CLA accounts have been combined in this analysis to match Citizens presentation to the Florida Cabinet, June, 2011.

Exhibit 5

FHCF and FIGA
Estimated Average Assessment Rates
($Billions)

		1 in 25 Year Hurricane		1 in 50 Year Hurricane		1 in 100 Year Hurricane	
		FHCF	FIGA	FHCF	FIGA	FHCF	FIGA
(1a)	Mandatory Layer Losses & LAE	11.45	n/a	17.00	n/a	17.00	n/a
(1b)	TICL Layer Losses & LAE	0.17	n/a	0.50	n/a	0.66	n/a
(1c)	Net Losses & LAE	11.61	0.20	17.50	1.60	17.66	5.10
(2)	Projected Cash Balance @12/31/12	8.40	-	8.40	-	8.40	-
(3)	Deficit	3.21	0.17	9.10	1.36	9.26	4.34
(4)	Assessment Base	33.60	16.71	33.60	16.71	33.60	16.71
(5)	Current Assessment Rate	1.3%	-	1.3%	-	1.3%	-
(6)	Max Single Year Assessment Rate	6.0%	4.0%	6.0%	4.0%	6.0%	4.0%
(7)	Max Multiple Year Assessment Rate	10.0%	4.0%	10.0%	4.0%	10.0%	4.0%
(8)	Single Year Assessment Rate	9.6%	1.0%	27.1%	8.1%	27.6%	25.9%
(9)	Number of Years to Cure Deficit	30	30	30	30	30	30
(10)	Multi-Year Assessment Rate	1.0%	0.1%	2.9%	0.9%	2.9%	2.8%

Notes:

(1) Exhibit 9, Sheet 1, Columns (5) & (6).

(2) Raymond James, *Report Prepared for The Florida Hurricane Catastrophe Fund, Claims Paying Capacity Estimates, October 18, 2011.*

(3) (1c) - (2). FIGA losses reduced by 15.0% to reflect $300,000 and $500,000 loss limitations per s. 631.57(1)(a)2., F.S.

(4) Exhibit 7

(5) 1.3% Florida Hurricane Catastrophe Fund assessment, effective 01/01/2011 on new and renewal policies and subsequent endorsements to those policies.

(6) & (7) Section 215.555 (6) (b), F.S. & Chapter 631, F.S.

(8) (3) / (4)

(9) Based on actuarial judgement

(10) Annual assessment at 10.0% annual interest to cure deficit in Row (9) years based on Raymond James, *Report Prepared for The Florida Hurricane Catastrophe Fund, Claims Paying Capacity Estimates, October 18, 2011.* Assumes the FHCF will be able to sell sufficient bonds to fund all losses and LAE in both the mandatory and TICL layers.

Exhibit 6

Citizens Property Insurance Corporation
Estimated Liquidity @12/31/12

		Coastal	PLA/CLA	Total
(1)	Estimated Long-term Debt @ 12/31/11	3,746,005	-	3,746,005
(2)	Net Unrestricted Assets @ 12/31/11	2,710,000	2,902,000	5,612,000
(3)	Subtotal	6,456,005	2,902,000	9,358,005
(4)	Estimated Income 1/1/12-12/31/12	325,000	247,000	572,000
(5)	Projected Private Reinsurance	575,000	-	575,000
(6)	Subtotal	7,356,005	3,149,000	10,505,005
(7)	FHCF Mandatory Layer Recoveries	4,010,000	2,580,000	6,590,000
(8)	Liquidity at 12/31/12	11,366,005	5,729,000	17,095,005
(9)	Policyholder Surplus @ 12/31/12	3,035,000	3,149,000	6,184,000

Notes:

(1)&(2) Citizens Property Insurance Corporation, 2010 GAAP Annual Statement
(3) (1) + (2)
(4) Citizens Property Insurance Corporation, 2012 Operating Budget
(5) Citizens Property Insurance Corporation, Presentation to the Florida Cabinet, June 2011.
(6) (3) + (4) + (5)
(7) Citizens Property Insurance Corporation, Presentation to the Florida Cabinet, June 2011
(8) (6) + (7)
(9) (2) + (4)

Exhibit 7

Florida Residential Property Insurance
Estimated 2010 Assessment Bases
($000s)

	2010 Direct Premiums Written	2010 Non-Citizens Direct Premiums Written	2010 Citizens Tier 1 Assessment Base	2012 Citizens Tier 1 Assessment Base	2012 Citizens Tier 2 Assessment Base	2012 Citizens Tier 3 Assessment Base	2012 Assessment Base	2012 FIGA Other Lines Assessment Base
Homeowners multiple peril	7,411,488	5,229,106	1,156,647	2,182,382	5,229,106	7,411,488	7,411,488	7,411,488
Other private passenger auto liability	6,476,171	6,476,171			6,476,171	6,476,171	6,476,171	
Surplus Lines *	3,714,535	3,714,535			3,714,535	3,714,535	3,714,535	
Private passenger auto physical damage	3,410,054	3,410,054			3,410,054	3,410,054	3,410,054	
Allied lines	2,261,480	977,772	1,283,708	1,283,708	977,772	2,261,480	2,261,480	2,261,480
Other liability	1,684,019	1,684,019			1,684,019	1,684,019	1,684,019	1,684,019
Private passenger auto no-fault (personal injury protect	2,414,990	2,414,990			2,414,990	2,414,990	2,414,990	
Workers' compensation	1,562,529	1,562,529						
Fire	1,217,591	1,053,681	163,910	163,910	1,053,681	1,217,591	1,217,591	1,217,591
Commercial multiple peril (non-liability portion)	1,010,945	1,010,945			1,010,945	1,010,945	1,010,945	1,010,945
Other commercial auto liability	1,113,366	1,113,366			1,113,366	1,113,366	1,113,366	1,113,366
Federal flood	920,900	920,900						
Inland marine	706,232	706,232			706,232	706,232	706,232	706,232
Medical malpractice	567,290	567,290						567,290
Commercial multiple peril (liability portion)	414,449	414,449			414,449	414,449	414,449	414,449
Mortgage guaranty	224,848	224,848			224,848	224,848	224,848	
Surety	260,234	260,234			260,234	260,234	260,234	
Commercial auto physical damage	220,218	220,218			220,218	220,218	220,218	
Ocean marine	286,834	286,834			286,834	286,834	286,834	
Products liability	91,919	91,919			91,919	91,919	91,919	91,919
Credit	46,849	46,849			46,849	46,849	46,849	
Group accident and health	124,048	124,048						
Aggregate write-ins for other lines of business	254,407	254,407			254,407	254,407	254,407	
Aircraft (all perils)	108,644	108,644			108,644	108,644	108,644	108,644
Multiple peril crop	86,758	86,758						
Guaranteed renewable A&H	85,683	85,683						
Boiler and machinery	54,335	54,335			54,335	54,335	54,335	54,335
Commercial auto no-fault (personal injury protection)	71,056	71,056			71,056	71,056	71,056	
Fidelity	55,422	55,422			55,422	55,422	55,422	
Financial guaranty	27,310	27,310			27,310	27,310	27,310	
Earthquake	6,892	6,892			6,892	6,892	6,892	6,892
Farmowners multiple peril	23,964	23,964			23,964	23,964	23,964	23,964
Burglary and theft	11,910	11,910			11,910	11,910	11,910	11,910
All other A&H	10,076	10,076						
Non-renewable for stated reasons only	6,655	6,655						
Credit A&H (group and individual)	3,338	3,338						
Other accident only	1,226	1,226						
Collectively renewable A&H	251	251						
Non-cancelable A&H	3	3						
Medicare Title XVIII exempt from state taxes or fees	-	-						
Federal employees health benefits program premium	-	-						
Independently Procured Coverage (IPC)	23,469	23,469			23,469	23,469	23,469	23,469
	36,972,388	33,342,388	2,604,265	3,630,000	29,973,631	33,603,631	33,603,631	16,707,993

Notes:

Assumes no change in total direct premiums written between 2010 and 2012
2012 Citizens Tier 1 assessment base: 1) based on Citizens 2012 operating budget, 2) assumes same mix of business as at 9_30_11 per OIR QUASR report.
Surplus Lines data from Raymond James
Other premium data from Florida Office of Insurance Regulation, Market Research Unit based on FHCF and Citizens assessment reports filed with the OIR by active companies.
Legal References:
FHCF: Section 215.555 (6) (b), F.S.
Citizens: Section 627.351(6), F.S.
FIGA: Chapter 631, F.S.

Exhibit 8

Florida Residential Property Insurance
Estimated 2010 Assessment Bases
Direct Premiums Written
($000s)

	2010 Florida	Assessable Commercial	Assessable Personal Automobile	Assessable Citizens Homeowners	Assessable Private Homeowners
Homeowners multiple peril	7,411,488			1,156,647	6,254,841
Other private passenger auto liability	6,476,171		6,476,171		
Surplus Lines *	3,714,535	3,714,535			
Private passenger auto physical damage	3,410,054		3,410,054		
Allied lines	2,261,480	977,772		1,283,708	
Other liability	1,684,019	1,684,019			
Private passenger auto no-fault (personal injury protect	2,414,990		2,414,990		
Workers' compensation	1,562,529				
Fire	1,217,591	1,053,681		163,910	
Commercial multiple peril (non-liability portion)	1,010,945	1,010,945			
Other commercial auto liability	1,113,366	1,113,366			
Federal flood	920,900				
Inland marine	706,232	706,232			
Medical professional liability	567,290	567,290			
Commercial multiple peril (liability portion)	414,449	414,449			
Mortgage guaranty	224,848	224,848			
Surety	260,234	260,234			
Commercial auto physical damage	220,218	220,218			
Ocean marine	286,834	286,834			
Products liability	91,919	91,919			
Credit	46,849	46,849			
Group accident and health	124,048				
Aggregate write-ins for other lines of business	254,407	254,407			
Aircraft (all perils)	108,644	108,644			
Multiple peril crop	86,758				
Guaranteed renewable A&H	85,683				
Boiler and machinery	54,335	54,335			
Commercial auto no-fault (personal injury protection)	71,056	71,056			
Fidelity	55,422	55,422			
Financial guaranty	27,310	27,310			
Earthquake	6,892	6,892			
Farmowners multiple peril	23,964	23,964			
Burglary and theft	11,910	11,910			
All other A&H	10,076				
Non-renewable for stated reasons only	6,655				
Credit A&H (group and individual)	3,338				
Other accident only	1,226				
Collectively renewable A&H	251				
Non-cancelable A&H	3				
Medicare Title XVIII exempt from state taxes or fees	-				
Federal employees health benefits program premium	-				
Independently Procured Coverage (IPC)	23,469	23,469			
	36,972,388	13,010,601	12,301,215	2,604,265	6,254,841

Sources:
Surplus Lines data from Raymond James
Other premium data from Florida Office of Insurance Regulation, Market Research Unit based on FHCF and Citizens assessment reports filed with the OIR by active companies.
Legal References:
FHCF: Section 215.555 (6) (b), F.S.
Citizens: Section 627.351(6), F.S.
FIGA: Chapter 631, F.S.

Exhibit 9
Sheet 1

Florida Residential Property Insurance
Estimated Single Event Losses at Various Return Times

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Return Time	Per Event Loss After Policyholder Deductible	Loss Adjustment Expense	Net Per Event Loss & LAE After Policyholder Deductible	FHCF Mandatory Layer Loss & LAE	FHCF TICL Layer Loss & LAE	FHCF Mandatory and TICL Layer Loss & LAE
25	18,916,479,722	2,553,724,762	21,470,204,484	11,448,052,643	166,000,000	11,614,052,643
50	30,781,869,098	3,773,915,382	34,555,784,480	17,000,000,000	498,000,000	17,498,000,000
100	44,929,520,785	4,844,258,457	49,773,779,242	17,000,000,000	664,000,000	17,664,000,000
150	54,997,986,930	5,351,224,152	60,349,211,082	17,000,000,000	664,000,000	17,664,000,000
250	68,199,642,643	5,694,955,033	73,894,597,676	17,000,000,000	664,000,000	17,664,000,000

Notes:

(1) & (2) Exhibit 9, Sheet 2

(3) (2) x Exhibit 9, Sheet 2, Column (2)

(4) (2) + (3)

(5) Page 56, FHCF 2011 Ratemaking Formula Report, single event actual liabilities x LAE Factor (11,448,052,643 = 10,902,907,279 x 1.05).

(6) Assumes: 1) 25.0%, 75.0% and 100.0% of TICL coverage for 25, 50 and 100 year storms, respectively based on actuarial judgment, 2) TICL layer uptake of 16.6% unchanged from 2011/2012 contract year, and 3) $4.0 billion TICL cover available for 2012/2013 contract year.

(7) (5) + (6)

Exhibit 9
Sheet 2

Florida Residential Property Insurance
Estimated LAE Ratios

Return Time	(1) Insured Net Hurricane Losses	(2) Loss Adjustment Expense Ratio
25	18,916,479,722	13.5%
50	30,781,869,098	12.3%
100	44,929,520,785	10.8%
150	54,997,986,930	9.7%
250	68,199,642,643	8.4%
500	90,693,897,885	6.0%

Notes:
(1) Page 56, FHCF 2011 Ratemaking Formula Report
(2) Exhibit 9, Sheet 3, Row (6) and actuarial judgmer

Exhibit 9
Sheet 3

Florida Residential Property Insurance
Estimated Loss Adjustment Expense

	Calendar Year	(1) Direct Premiums Earned ($000s)	(2) Direct Losses Incurred	(3) Direct Loss Adjustment Expense	(4) Loss Adjustment Expense Ratio
	2004	4,127,443	303.0%	40.3%	13.3%
	2005	5,010,876	153.6%	21.5%	14.0%
(5)	Average				13.6%
(6)	Selected				13.5%

Notes:
(1) - (3) NAIC, Report on Profitability by Line by State, Homeowners Multiple Peril, 2005 and 2006 - excludes Citizens Property Insurance Corporation
(4) (3) / (2)
(6) based on actuarial judgment

Exhibit 10

Florida Residential Property Insurance
Estimated Florida Insurance Guaranty Association Losses & LAE

		Mean			95% Confidence Level			
Recurrence Period (Years)	Net Loss & LAE After Policyholder Deductible	Broward, Dade, Palm Beach	Hillsborough, Pinellas, Manatee, Sarasota	Average	Broward, Dade, Palm Beach	Hillsborough, Pinellas, Manatee, Sarasota	Average	Selected FIGA Losses & LAE
25	$21,000,000,000	5,696,145	186,290,414	95,993,279	28,101,855	458,977,022	243,539,438	$200,000,000
50	$35,000,000,000	414,699,538	1,793,939,814	1,104,319,676	1,109,057,906	3,155,591,600	2,132,324,753	$1,600,000,000
100	$50,000,000,000	2,553,522,242	5,573,583,222	4,063,552,732	4,125,430,147	8,183,622,205	6,154,526,176	$5,100,000,000

Notes:

Selected FIGA Losses & LAE are prior to application of $300,000 and $500,000 loss limits per s. 631.57(1)(a)2., F.S. Based on an analysis of: 1) Florda domestic insurers' share of business in two high risk exposure areas (Broward, Dade and Palm Beach counties) and (Hillsborough, Pinellas, Manatee and Sarasota counties), 2) reinsurance limits, 3) surplus, 4) unearned premium reserves, and 5) actuarial judgment.