

Today the focus will not only be on the progress made at Citizens, but on our strengthened financial position and the impact it is having on the cost we pay for both risk transfer and pre-event financing. I also will be commenting on the impact Citizens' results are having on the private market.

First – The history – As of December 31, 2011, there were 169 companies writing residential property insurance in Florida. Citizens was the largest carrier with 26% of the personal residential exposure and 45% of the commercial-residential exposure.

Slide 1

Over the past 3 years 26 companies have participated in the depopulation program taking 1,187,525 policies.

This and the impact of the Clearinghouse has resulted in the transfer of over \$1.6 billion of premium to the private market companies with an additional impact of close to \$1 billion in reinsurance premium.

Slide 2 and 3

Policy counts dropped from a high of close to 1.5 million to less than 600,000 and exposure dropped from over ½ Trillion (\$512 billion) to less than \$190 billion.

Slide 4

While depopulation initially focused on personal residential premium (we are now down to around 10% of the market), recent activity has included reduction in coastal business which has dropped from 460,000 policies in 2011 to less than 260,000 today; a 200,000 policy reduction.

Slide 5

The combination of 9 hurricane free years and the increase in surplus from \$5.7 billion to \$7.5 billion along with the substantial growth of our risk transfer program have allowed us to completely eliminate the need for assessments in the event of a 1-100 year storm. We are reinsured at this point to cover a 1 – 122 year event in Coastal; a 1 – 241 year event for the PLA/CLA. I do want to point out however that we do not have in place the same level of surplus protection that most of you enjoy.

Slide 6 clearly shows the impact that the current, highly competitive, traditional reinsurance market and the growth of the capital markets are having. Citizens Risk Transfer Program has grown from \$575 million in placement to \$3.9 billion this year. We have the 4th or 5th largest risk transfer program globally according to our reinsurers. The pricing has dropped dramatically from 2012, today resulting in a rate on line that dropped from over 22% to close to 7%. This is clearly a positive that the entire Florida

market is benefitting from. This year alone we placed \$3.9 billion in coverage for less than the cost for \$3.2 billion last year. There are very clear indications that we are at the bottom of the pricing curve.

Slide 7

Citizens' improved financial position has not only impacted our risk transfer program but our cost of capital in the pre-event bond market. This is a very busy slide, but it clearly demonstrates that recent upgrades by Moody's & Fitch (Fitch from A+ to AA-; Moody's from A to A1) has enabled us to substantially reduce the credit spreads saving over \$93.2 million over the life of bonds in the placement of the \$1 billion 2015 A Bonds that closed last week compared to a 2011 placement. The interest cost differential results in an annual savings of \$9 million on average. That is a true interest cost of 2.67% with the lowest spreads ever from an average of 2.24% in 2011 to .79% in 2015.

Slide 8

I also want to point out that the extremely positive decision to have Florida Hurricane Catastrophe Fund obtain reinsurance and pre-event bonds had a direct impact on Citizens. We have over \$2 billion of pre-event bonds maturing over the next two years

and FHCF's position, and the increased security it provides, allows us to reduce our placement to just the \$1 billion that closed last week.

Slide 9

So where does that leave us today? From Citizens' perspective, while we have dropped to less than 60,000 policies, our analysis concludes that there are still well over 150,000 policies that we have on our books that are marketable policies that are at, or close to, rate adequate with favorable risk characteristics. Why? The glide path is working – as this slide shows - the multi-peril PLA/CLA business, due to consistent rate increases over 4 years, is now priced at an adequate level and the coastal wind-only business is getting closer to realistic levels.

Slide 10

In addition, the Florida domestic market had exceptional results last year with 20% increase in premium, primarily from Citizens, and an 80.7% combined ratio.

So here's my summary. The Capital market environment is extremely favorable. The 10-year Treasury rate is 2.13% and the Dow and the S&P are both strong. There is strong investor demand.

- Investors are extremely interested in this market and we are meeting with investor groups consistently interested in investing in and acquiring Florida companies.
- Citizens and the FHCF are both in their best ever financial positions, providing stability in the market and growth opportunities for participating insurers.
- Both Citizens and the FHCF want to work with you to expand and build a sustainable long-term business.
- Citizens is pro-business and committed to becoming as small as possible. Where else can you find a company that wants to give you business, allowing you to grow and diversify your business model? We are anxious to help you grow your business.