

Financial Services Commission

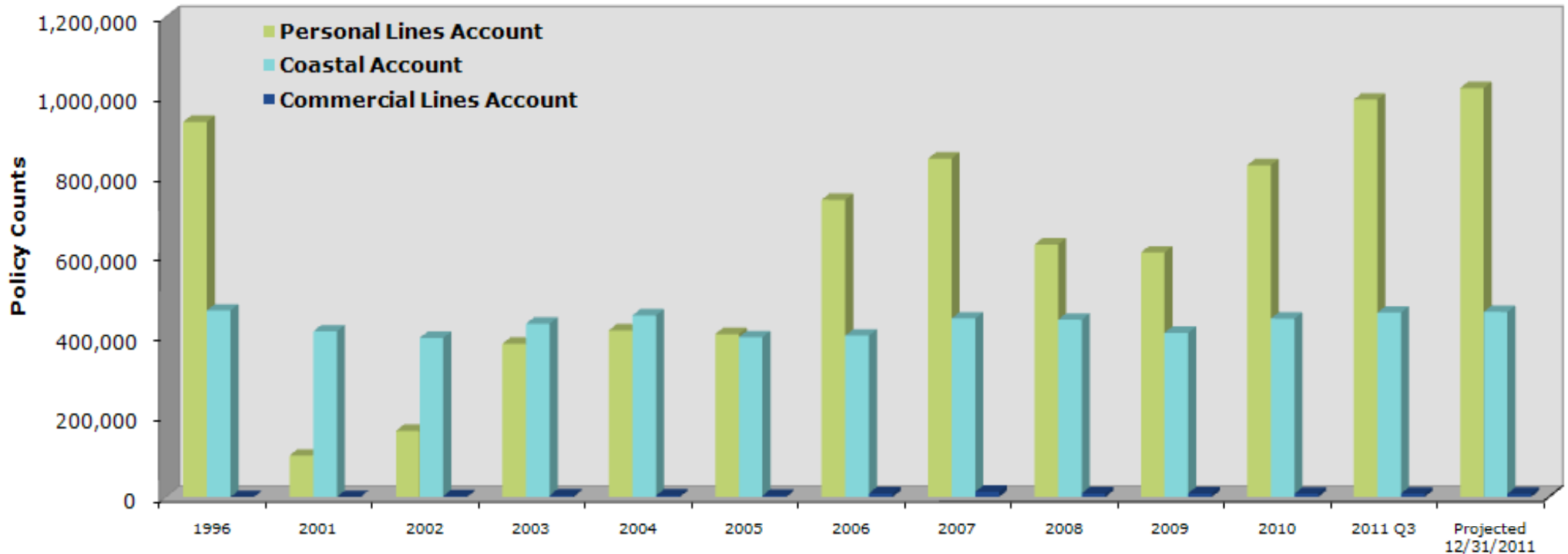
Citizens Property Insurance Corporation
Scott Wallace, President and Executive Director

November 1, 2011

Overview

- Citizens Growth
- Claims Paying Ability and Assessments
- Statutory and Operational Issues that May Affect the Size of Citizens
- Status of the Implementation of Key Provisions of SB 408

Citizens Policy Counts by Account and Year



	1996	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 Q3	Projected 12/31/2011
Personal Lines Account	936,837	102,792	164,274	383,283	416,529	407,387	743,592	845,857	629,467	609,652	829,406	992,002	1,020,570
Coastal Account	465,739	414,123	397,676	433,077	453,755	399,418	403,509	446,181	442,671	410,436	445,679	460,345	462,301
Commercial Lines Account	0	198	2,157	3,863	3,702	3,212	8,841	12,911	8,810	9,126	8,453	8,325	7,994
Transition Policies ²	n/a	n/a	n/a	n/a	n/a	n/a	142,980	n/a	n/a	n/a	n/a	n/a	n/a
Total	1,402,576	517,113	564,107	820,223	873,986	810,017	1,298,922	1,304,949	1,080,948	1,029,214	1,283,538	1,460,672	1,490,865

Notes:

- 1) Excludes takeout policies
- 2) The transition policies from 2006 are the policies assumed from the Poe Financial Group that remained on the Poe system at the end of that calendar year

Policy Demographics

- Insured Value of Homes
 - 97% of Homes in the Personal Lines Account are Insured for Less Than \$400,000
 - 82% of Homes in the Coastal Account are Insured for Less Than \$400,000
- Age of Homes
 - 78% of Homes in both the Personal Lines Account and the Coastal Account Are More Than 20 Years Old
- Mobile Homes
 - 75% of Mobile Homes Are More Than 20 Years
- Geographic Concentration – New Business
 - 71% of New Personal Residential Policies are in Southeast Florida and the Tampa Bay Area

Assessments Summary

1.

Citizens Policyholder Surcharge

Up to 15% per account for Coastal Acct, PLA, and/or CLA deficits
Applies at new business/renewal for all Citizens' policyholders

2.

Regular Assessment

Up to 6% per account for Coastal Acct, PLA and/or CLA deficits
Applies at new business/renewal for all non-Citizens' policyholders

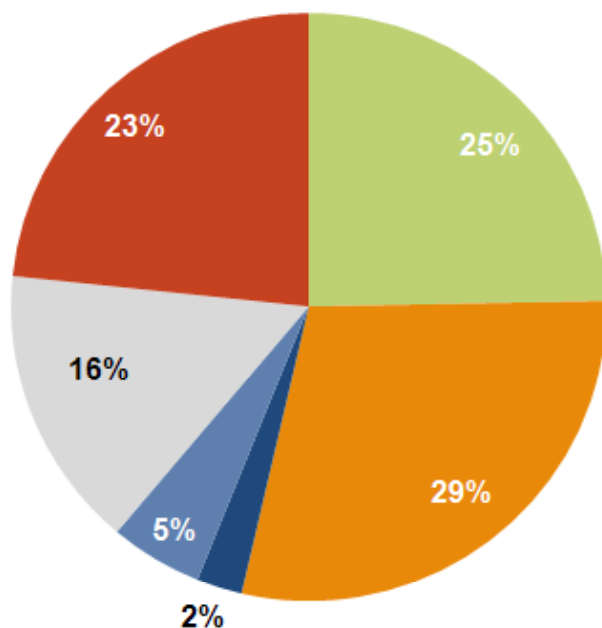
3.

Emergency Assessment

Up to 10% per year per account for Coastal Acct, PLA and/or CLA deficits
Applies at new business/renewal for all Citizens' and non-Citizens' policyholders

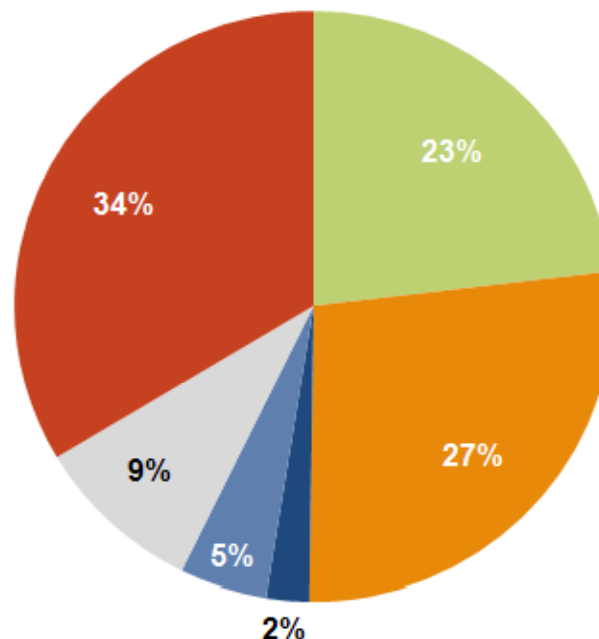
Projected Claims Paying Resources - Combined Accounts 2011 Hurricane Season¹

1-in-100 Year Event
Probability of Single-Event Occurrence = 1%



	(in billions)		
	PLA/CLA	Coastal Account	Total
Probable Maximum Loss (see note below)	\$ 8.363	\$ 14.886	\$ 23.249

Great Miami Hurricane (1926)
Annual Occurrence Probability = 0.87%



	(in billions)		
	PLA/CLA	Coastal Account	Total
	\$ 7.027	\$ 17.795	\$ 24.822

Claims-Paying Resources:				
Accumulated Surplus	\$ 3.056	\$ 2.686	\$ 5.742	
FHCf Reimbursements	2.780	3.946	6.726	
Private Reinsurance	-	0.575	0.575	
Citizens Policyholder Surcharges	0.781	0.391	1.172	
Regular Assessments	1.746	1.860	3.606	
Emergency Assessments	-	5.428	5.428	
	8.363	14.886	23.249	

Accumulated Surplus	\$ 3.056	\$ 2.686	\$ 5.742	
FHCf Reimbursements	2.780	3.946	6.726	
Private Reinsurance	-	0.575	0.575	
Citizens Policyholder Surcharges	0.781	0.391	1.172	
Regular Assessments	0.410	1.860	2.270	
Emergency Assessments	-	8.337	8.337	
	7.027	17.795	24.822	

¹ See Notes & Assumptions; PML in pie charts includes estimate for LAE. Data as of 3/31/11.

Examples of the Effect of Assessment on Premium

1 in 100 Year Hurricane Event	Citizens Policyholder	ABC Insurance Policyholder
If your annual premium is:	\$2,000	\$2,000
Tier 1: Potential Citizens Policyholder Surcharge	\$900	N/A
Tier 2: Potential Regular Assessment (non-Citizens policies only)	N/A	\$233
Tier 3: Potential Emergency Assessment ¹	\$200	\$200
Total Potential Assessment ²:	\$1,100	\$433

1 - Tier 3 Emergency Assessment may be spread over multiple years

2 - In this scenario the 10% Emergency Assessment is for a deficit in the Coastal account that would not be resolved with a single 10% assessment

Note: The underlying Probable Maximum Loss (PML) estimates were modeled using AIR Clasic/2, Version 12.0.4, including Loss Amplification, excluding Storm Surge, on exposures as of March 31, 2011. Accumulated Surplus is based on Accumulated Surplus budgeted as of December 31, 2011. FHCF reimbursements are based on preliminary retention and payment multiples, and do not include any provision for loss adjustment expense (LAE). The actual surplus, retention and limits may be significantly different from those estimated for developing these scenarios

Great Miami Hurricane (1926)	Citizens Policyholder	ABC Insurance Policyholder
If your annual premium is:	\$2,000	\$2,000
Tier 1: Potential Citizens Policyholder Surcharge	\$900	N/A
Tier 2: Potential Regular Assessment (non-Citizens policies only)	N/A	\$146
Tier 3: Potential Emergency Assessment ¹	\$200	\$200
Total Potential Assessment ²:	\$1,100	\$346

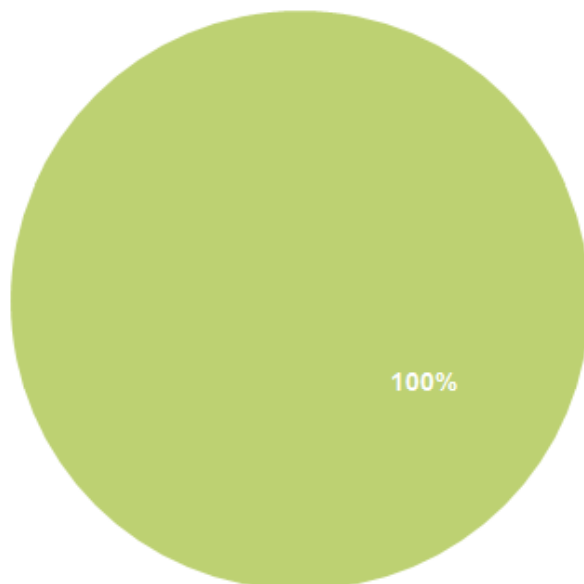
1 - Tier 3 Emergency Assessment may be spread over multiple years

2 - In this example, Deficit for Personal Lines and Commercial Lines accounts result in policyholder surcharge as well as a Regular assessment of 1%; Regular Assessment of 6% and Emergency Assessment of 25% (10% maximum in a single year) for a potential deficit in the Coastal account

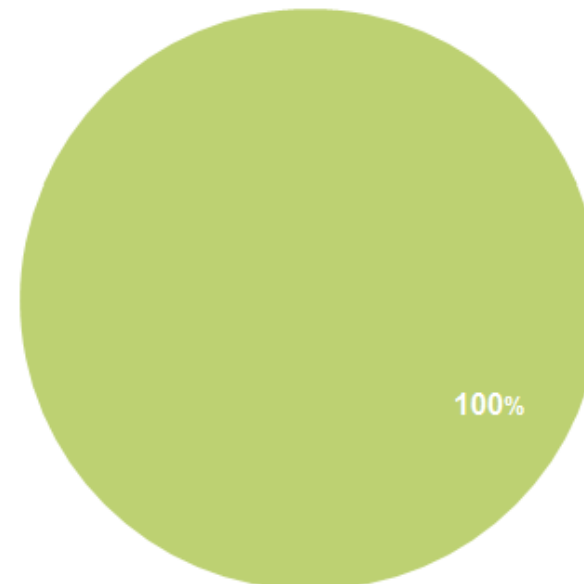
Note: The underlying Probable Maximum Loss (PML) estimates were modeled using AIR Clasic/2, Version 12.0.4, including Loss Amplification, excluding Storm Surge, on exposures as of March 31, 2011. Accumulated Surplus is based on Accumulated Surplus budgeted as of December 31, 2011. FHCF reimbursements are based on preliminary retention and payment multiples, and do not include any provision for loss adjustment expense (LAE). The actual surplus, retention and limits may be significantly different from those estimated for developing these scenarios

Projected Claims Paying Resources - Combined Accounts 2011 Hurricane Season¹

**2004
Storms**



**2005
Storms**



	<i>(in billions)</i>			<i>(in billions)</i>		
	PLA/CLA	Coastal Account	Total	PLA/CLA	Coastal Account	Total
Probable Maximum Loss (see note below)	\$ 1.678	\$ 2.638	\$ 4.316	\$ 1.335	\$ 1.754	\$ 3.088
Claims-Paying Resources:						
Accumulated Surplus	\$ 1.678	\$ 2.638	\$ 4.316	\$ 1.335	\$ 1.754	\$ 3.088
FHCF Reimbursements	-	-	-	-	-	-
Private Reinsurance	-	-	-	-	-	-
Citizens Policyholder Surcharges	-	-	-	-	-	-
Regular Assessments	-	-	-	-	-	-
Emergency Assessments	-	-	-	-	-	-
Total	1.678	2.638	4.316	1.335	1.754	3.088

¹ See Notes & Assumptions; PML in pie charts includes estimate for LAE. Data as of 3/31/11.

Examples of the Effect of Assessment on Premium

2004 Storm Season	Citizens Policyholder	ABC Insurance Policyholder
If your annual premium is:	\$2,000	\$2,000
Tier 1: Potential Citizens Policyholder Surcharge	\$0	N/A
Tier 2: Potential Regular Assessment (non-Citizens policies only)	N/A	\$0
Tier 3: Potential Emergency Assessment ¹	\$0	\$0
Total Potential Assessment ²:	\$0	\$0

1 - Tier 3 Emergency Assessment may be spread over multiple years

2 - In this example, Citizens Surplus may be adequate to cover the loss for the all accounts

2005 Storm Season	Citizens Policyholder	ABC Insurance Policyholder
If your annual premium is:	\$2,000	\$2,000
Tier 1: Potential Citizens Policyholder Surcharge	\$0	N/A
Tier 2: Potential Regular Assessment (non-Citizens policies only)	N/A	\$0
Tier 3: Potential Emergency Assessment ¹	\$0	\$0
Total Potential Assessment ²:	\$0	\$0

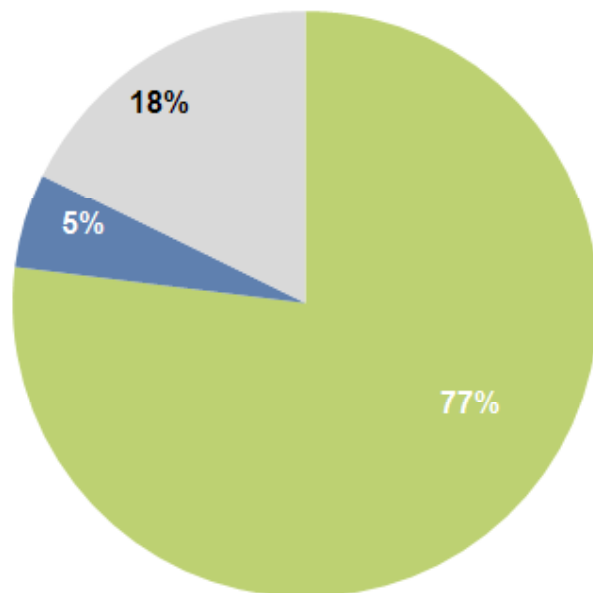
1 - Tier 3 Emergency Assessment may be spread over multiple years

2 - In this example, Citizens Surplus may be adequate to cover the loss for the all accounts

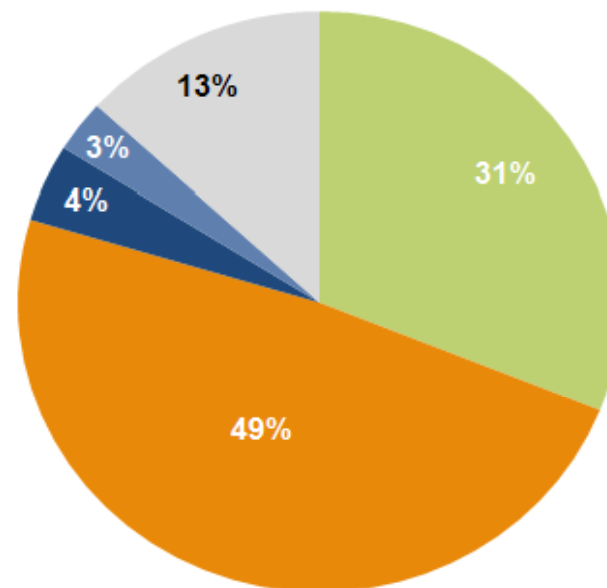
Note: The underlying Probable Maximum Loss (PML) estimates were modeled using AIR Clasic/2, Version 12.0.4, including Loss Amplification, excluding Storm Surge, on exposures as of March 31, 2011. Accumulated Surplus is based on Accumulated Surplus budgeted as of December 31, 2011. FHCF reimbursements are based on preliminary retention and payment multiples, and do not include any provision for loss adjustment expense (LAE). The actual surplus, retention and limits may be significantly different from those estimated for developing these scenarios

Projected Claims Paying Resources - Combined Accounts 2011 Hurricane Season¹

**2004 & 2005
Storms**



Hurricane Andrew (1992)
Annual Occurrence Probability = 2.01%



	<i>(in billions)</i>		
	PLA/CLA	Coastal Account	Total
Probable Maximum Loss (see note below)	\$ 3.012	\$ 4.392	\$ 7.404

	<i>(in billions)</i>		
	PLA/CLA	Coastal Account	Total
	\$ 4.079	\$ 9.375	\$ 13.454

<u>Claims-Paying Resources:</u>			
Accumulated Surplus	\$ 3.012	\$ 2.686	\$ 5.699
FHCF Reimbursements	-	-	-
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	0.391	0.391
Regular Assessments	-	1.315	1.315
Emergency Assessments	-	-	-
Total	3.012	4.392	7.404

	\$ 1.492	\$ 2.686	\$ 4.179
	2.587	3.946	6.533
	-	0.575	0.575
	-	0.391	0.391
	-	1.777	1.777
	-	-	-
Total	4.079	9.375	13.454

¹ See Notes & Assumptions; PML in pie charts includes estimate for LAE. Data as of 3/31/11.

Examples of the Effect of Assessment on Premium

2004-2005 Storm Seasons	Citizens Policyholder	ABC Insurance Policyholder
If your annual premium is:	\$2,000	\$2,000
Tier 1: Potential Citizens Policyholder Surcharge	\$300	N/A
Tier 2: Potential Regular Assessment (non-Citizens policies only)	N/A	\$85
Tier 3: Potential Emergency Assessment ¹	\$0	\$0
Total Potential Assessment ²:	\$300	\$85

1 - Tier 3 Emergency Assessment may be spread over multiple years

2 - In this example, Citizens Surplus may be adequate to cover the loss for the Personal Lines and Commercial Lines accounts; Regular Assessment of 5% for a potential deficit in the Coastal account

Note: The underlying Probable Maximum Loss (PML) estimates were modeled using AIR Clasic/2, Version 12.0.4, including Loss Amplification, excluding Storm Surge, on exposures as of March 31, 2011. Accumulated Surplus is based on Accumulated Surplus budgeted as of December 31, 2011. FHCF reimbursements are based on preliminary retention and payment multiples, and do not include any provision for loss adjustment expense (LAE). The actual surplus, retention and limits may be significantly different from those estimated for developing these scenarios

Hurricane Andrew (1992)	Citizens Policyholder	ABC Insurance Policyholder
If your annual premium is:	\$2,000	\$2,000
Tier 1: Potential Citizens Policyholder Surcharge	\$300	N/A
Tier 2: Potential Regular Assessment (non-Citizens policies only)	N/A	\$115
Tier 3: Potential Emergency Assessment ¹	\$0	\$0
Total Potential Assessment ²:	\$300	\$115

1 - Tier 3 Emergency Assessment may be spread over multiple years

2 - In this example, Citizens Surplus combined with FHCF was adequate to cover the loss for the Personal Lines and Commercial Lines accounts; Regular Assessment of 6% for a potential deficit in the Coastal account

Note: The underlying Probable Maximum Loss (PML) estimates were modeled using AIR Clasic/2, Version 12.0.4, including Loss Amplification, excluding Storm Surge, on exposures as of March 31, 2011. Accumulated Surplus is based on Accumulated Surplus budgeted as of December 31, 2011. FHCF reimbursements are based on preliminary retention and payment multiples, and do not include any provision for loss adjustment expense (LAE). The actual surplus, retention and limits may be significantly different from those estimated for developing these scenarios

Current Statutory Language that May Encourage Growth

- The 10% Cap on Citizens Rates
- Rates Are Not Required to be Non-Competitive
- The 15% Eligibility Rule
- Perpetual Statutory Eligibility
- Barriers to Depopulation
 - Consumer Opt-out (allows the consumer to reject a take out offer)
 - Consumer Choice (requires the agent to agree to the take out)
- Takeouts Not Available to Surplus Lines Companies
- Statutory Requirement to Provide Coverage Equivalent to the Private Insurance Market
- Statutory Limitation on Depopulation Bonus

Operational Changes that May Reduce Growth

- Implementation of More Restrictive Coverage Provision
 - Elimination of Coverage for Screen Enclosures, Carports and Certain Detached Structures (Effective 1/1/2012 and 2/1/2012)
 - Special Limits of Liability for Flooring Coverage (Effective 1/1/2012)
 - Consider Elimination of Liability Coverage
 - Explore Endorsements Restricting Coverage
 - Explore Different Deductible Requirements
- Eliminate Coverage for Builders Risk Policies
- Adoption of New Programs to Motivate Insurers to Remove Policies (Especially in Concentrated Areas)
- Increased Marketing by the Florida Market Assistance Plan (FMAP)

Status of Implementation of Key Provisions of SB 408

- Made necessary coverage form filings with the Office of Insurance Regulation on 6/23/2011 and received approval between 10/5/2011 and 10/10/2011
- Implementation of form and rate changes on 1/1/2012 and 2/1/2012
- Developed Assessment Acknowledgement Form for implementation on 1/1/2012
- Implemented Sinkhole Inspection Program
- Solicitation Underway for a Third-Party Consultant to Evaluate Outsourcing Capabilities

Projected Claims Paying Resources and Layer Charts

Notes & Assumptions

NOTES - The charts attempt to show total projected claims-paying resources needed for various storm events. However, the charts reflect approximations and are not perfect. Some significant observations are as follows:

- ⊗ Timing - The charts show estimates of ultimate resources needed, not liquidity needs on a timed basis. An account with sufficient ultimate claims-paying resources could still require liquidity facilities as some resources could potentially be unavailable following a major event.
- ⊗ Return Times - A loss event for one account will not be the same size event for other accounts. The relative magnitude of an event will depend on the size, severity and path of the storm. Probable Maximum Loss ("PML") estimates are weighted 1/3rd Standard Sea-Surface Temperature (Long-Term) and 2/3rds Warm Sea-Surface Temperature (Near-Term), are based on Single-Event Occurrences and **include a provision of 10% for the adjustment of claims (LAE)**. PML estimates were modeled using AIR Clasic/2, Version 12.0.4, including Loss Amplification, excluding Storm Surge, on exposures as of March 31, 2011.
- ⊗ Account Combination - Each account is accounted for separately as required by Florida Statutes. However, the PLA and the CLA are evaluated together for reinsurance and credit purposes. Therefore, the charts illustrate the effect of the PLA and the CLA aggregated, not combined as one account.
- ⊗ Commercial Non-Residential Exposure - Commercial Non-Residential ("CNR") exposures in the CLA and the Coastal Account are not reinsured by the Florida Hurricane Catastrophe Fund ("FHCF"). The charts include a provisional estimate for CNR losses in the Coastal Account for all return times (see assumption below). Historically, CNR losses in the CLA have been negligible and therefore a separate provision (for non-reimbursement from the FHCF) is not considered in the charts.
- ⊗ Projected Surplus - The charts use Accumulated Surplus budgeted as of December 31, 2011, determined in accordance with Statutory Accounting Principles ("SAP"). However, actual assessments are based on adjusted surplus determined in accordance with accounting principles generally accepted in the United States of America (GAAP), which varies from SAP.

ASSUMPTIONS:

▶ Maximum Citizens Policyholder Surcharge Percentage	15% per account
▶ Projected Regular Assessment Base	\$31.00 Billion
▶ Maximum Regular Assessment Percentage	6% per account
▶ Projected Emergency Assessment Base	\$33.60 Billion
▶ Maximum Emergency Assessment Percentage	10% per account
▶ Estimated CNR (Not covered by the FHCF) for the Coastal Account	10% for all event Return Times
▶ Exposure Measurement Date	March 31, 2011
▶ Projected Accumulated Surplus	\$5.744 billion at December 31, 2011
	--> \$3.056 billion in the PLA/CLA
	--> \$2.688 billion in the Coastal Account