

# Citizens Property Insurance Corporation

## Presentation to the Florida Cabinet

Susanne K. Murphy, Chief Administration Officer  
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# Citizens' Financial Resources

Citizens has at its disposal both the typical resources available to all property and casualty companies that conduct business in the state, as well as special assessment powers granted to Citizens by the state legislature.

## Typical Financial Resources

- Insurance Premiums
- Investment Income
- Operating Surplus from Prior Years
- Florida Hurricane Catastrophe Fund Reimbursements
- Private Reinsurance (if purchased)

## Unique Financial Resources

- Citizens' Policyholder Surcharges
- Regular Assessments
- Emergency Assessments
- Pre-event liquidity resources (debt issuances and lines of credit which, if drawn upon, must be repaid)

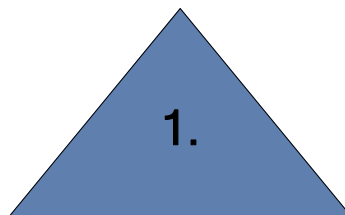
# Citizens' Estimated Claims Paying Ability 2011 Hurricane Season (Projected)

Description	PLA / CLA	Coastal Acct	TOTAL
	<i>in millions</i>		
Beginning Accumulated Surplus <sup>1</sup>	\$ 2,770	\$ 2,332	\$ 5,102
Budgeted Net Income <sup>2</sup>	286	354	640
<b>Total Accumulated Surplus available for claims</b>	<b>3,056</b>	<b>2,686</b>	<b>5,742</b>
Pre-Event Liquidity Available <sup>3</sup>	-	2,921	2,921
Projected FHCF Coverage (Mandatory Layer Only) <sup>4</sup>	2,581	4,010	6,591
Projected Private Reinsurance <sup>5</sup>	-	575	575
<b>Total 2011 Projected Claims-Paying Ability</b>	<b>\$ 5,637</b>	<b>\$ 10,192</b>	<b>\$ 15,829</b>

## Notes:

- 1) Accumulated Surplus (audited) as of December 31, 2009, plus audited 2010 net income and other changes in surplus.
- 2) Budget approved by the Board of Governors.
- 3) Includes funds available as of April 30, 2011. Does not include any provision for the issuance approved by Citizens' Board of Governors on May 11, 2011. Pre-Event liquidity does not represent risk transfer and any funds drawn must be repaid.
- 4) FHCF coverage is based on estimates of preliminary exposure data, rating factors and coverage multiples. The final retention and coverage amounts may be significantly different from these estimates.
- 5) Assumes private reinsurance coverage is triggered.

# Assessments Summary



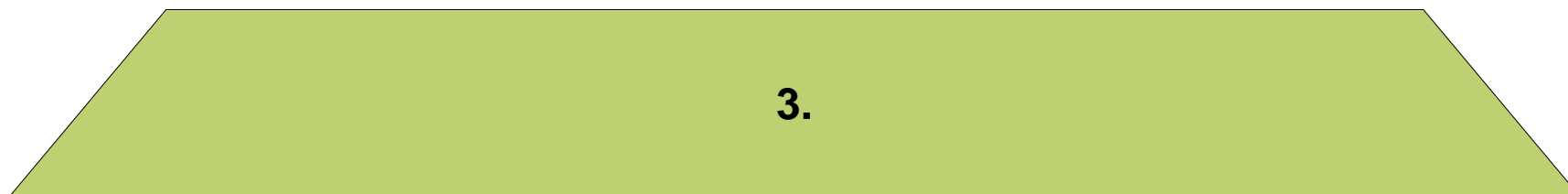
## **Citizens Policyholder Surcharge**

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



## **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



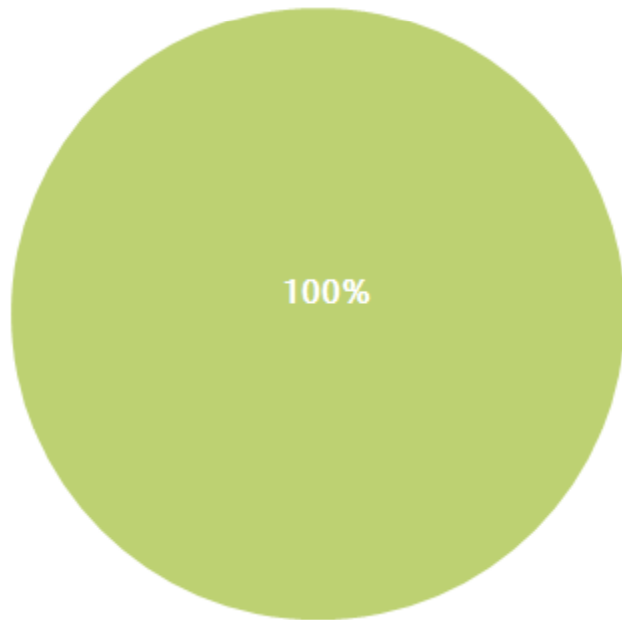
## **Emergency Assessment**

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

# Estimated Claims Paying Resources – Combined Accounts 2011 Hurricane Season (Projected)

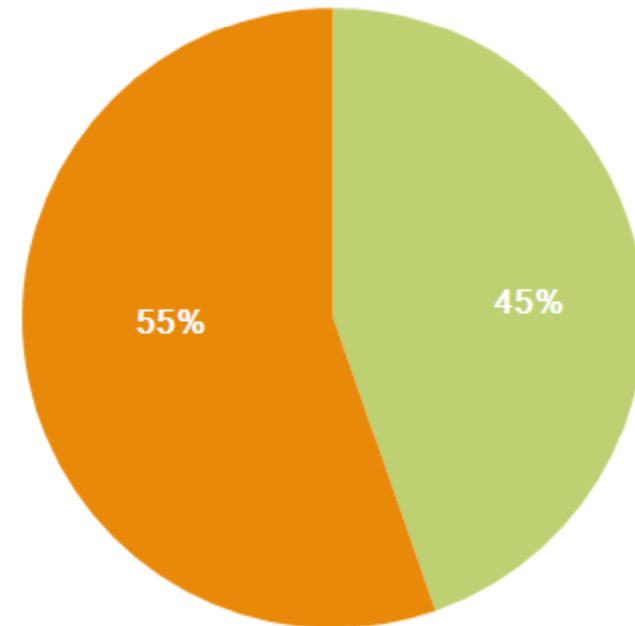
## 1-in-5 Yr Event

Probability of Single-Event Occurrence = 20%



## 1-in-25 Yr Event

Probability of Single-Event Occurrence = 4%



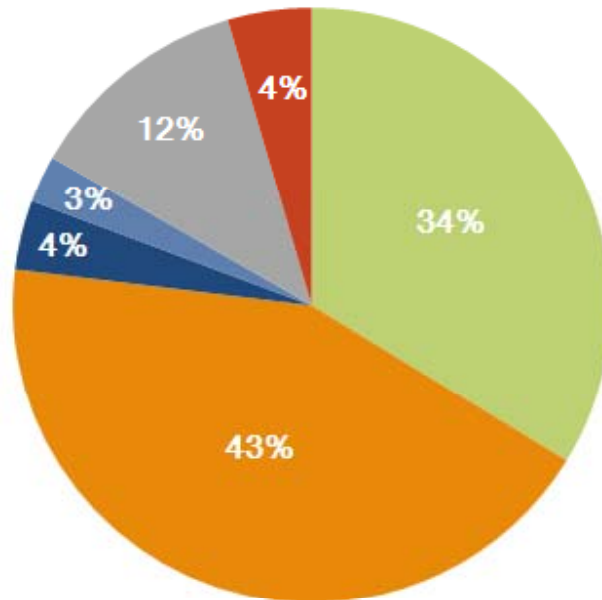
	<i>(in billions)</i>		
	PLA/CLA	Coastal	Total
Probable Maximum Loss	\$ 0.364	\$ 0.734	\$ 1.098
<b>Claims-Paying Resources:</b>			
Accumulated Surplus	\$ 0.364	\$ 0.734	\$ 1.098
FHCF Reimbursements	-	-	-
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	-	-
Regular Assessments	-	-	-
Emergency Assessments	-	-	-
<b>Total</b>	<b>\$ 0.364</b>	<b>\$ 0.734</b>	<b>\$ 1.098</b>

	<i>(in billions)</i>		
	PLA/CLA	Coastal	Total
Probable Maximum Loss	\$ 2.779	\$ 5.661	\$ 8.440
<b>Claims-Paying Resources:</b>			
Accumulated Surplus	\$ 1.285	\$ 2.484	\$ 3.768
FHCF Reimbursements	1.495	3.178	4.672
Private Reinsurance	-	-	-
Citizens Policyholder Surcharges	-	-	-
Regular Assessments	-	-	-
Emergency Assessments	-	-	-
<b>Total</b>	<b>\$ 2.779</b>	<b>\$ 5.661</b>	<b>\$ 8.440</b>

# Estimated Claims Paying Resources – Combined Accounts 2011 Hurricane Season (Projected)

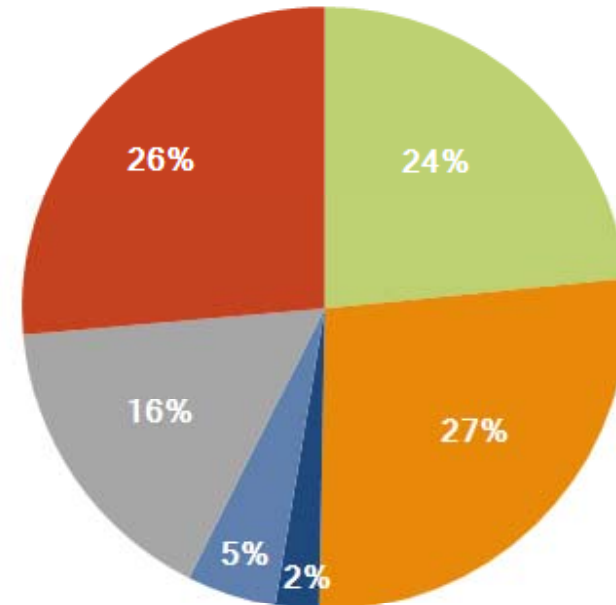
## 1-in-50 Yr Event

Probability of Single-Event Occurrence = 2%



## 1-in-100 Yr Event

Probability of Single-Event Occurrence = 1%



	<i>(in billions)</i>		
	PLA/CLA	Coastal	Total
Probable Maximum Loss	\$ 5.038	\$ 10.216	\$ 15.254
<b>Claims-Paying Resources:</b>			
Accumulated Surplus	\$ 2.458	\$ 2.686	\$ 5.144
FHCF Reimbursements	2.581	4.010	6.591
Private Reinsurance	-	0.575	0.575
Citizens Policyholder Surcharges	-	0.391	0.391
Regular Assessments	-	1.860	1.860
Emergency Assessments	-	0.694	0.694
<b>Total</b>	<b>\$ 5.038</b>	<b>\$ 10.216</b>	<b>\$ 15.254</b>

	<i>(in billions)</i>		
	PLA/CLA	Coastal	Total
Probable Maximum Loss	\$ 8.528	\$ 15.990	\$ 24.518
<b>Claims-Paying Resources:</b>			
Accumulated Surplus	\$ 3.056	\$ 2.686	\$ 5.742
FHCF Reimbursements	2.581	4.010	6.591
Private Reinsurance	-	0.575	0.575
Citizens Policyholder Surcharges	0.781	0.391	1.172
Regular Assessments	2.111	1.860	3.971
Emergency Assessments	-	6.468	6.468
<b>Total</b>	<b>\$ 8.528</b>	<b>\$ 15.990</b>	<b>\$ 24.518</b>

# Estimated Claims Paying Resources

## Notes and 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 1/3<sup>rd</sup> Standard Sea-Surface Temperature (Long-Term) and 2/3<sup>rd</sup>s 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 December 31, 2010.
- ⊗ **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 are 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	December 31, 2010
▶ Projected Accumulated Surplus	\$5.744 billion at December 31, 2011
	--> \$3.056 billion in the PLA/CLA
	--> \$2.688 billion in the Coastal Account