

CITIZENS PROPERTY INSURANCE CORPORATION EXPOSURE REDUCTION AND DEPOPULATION OPPORTUNITIES ANALYSIS REQUESTED SCOPE OF SERVICES

I. Statement of Purpose

Citizens Property Insurance Corporation (“Citizens”) was created by the Florida Legislature in August 2002 as a not-for-profit, tax-exempt, governmental entity. Its mission is to efficiently provide property insurance protection in Florida to those who are, in good faith, entitled to obtain coverage through the private market but are unable to do so.

Citizens is seeking proposals from prospective vendors to conduct an analysis (the “Analysis”) having the broad goal of identifying opportunities that would serve to further reduce Citizens’ exposure in the Florida property insurance market and / or that would serve to expand the use of all admitted markets before a risk is placed with Citizens.

Prior research has been conducted relative to Citizens’ role in the marketplace; however, Citizens is now at its lowest level since its creation and Citizens seeks to identify additional exposure reduction and depopulation opportunities given current market conditions. Section II contains questions that Citizens expects would be included within the scope of the Analysis. In brief, Citizens expects the Analysis to:

- A. Identify opportunities for Citizens to further reduce its exposure while continuing to fulfill its mission as a residual market insurer.
- B. Identify inhibitors to Citizens’ further depopulation and identify strategies to expand Citizens’ depopulation.
- C. Identify mechanisms to eliminate or reduce the re-population of risk by Citizens following depopulation of that risk.

As a part of exploring possible opportunities, the Analysis would consider the boundaries and constraints described in Section III.

II. Questions Being Explored

The following questions are included to give prospective vendors an understanding of the possible opportunities Citizens would expect to be explored as a part of the Analysis. In addition to these questions, Citizens seeks recommendations of other possible opportunities that would serve to achieve Citizens’ desired outcomes as described in Section I.

- A. What strategies or approaches have other residual market insurers successfully implemented which could benefit Citizens in its efforts to further reduce exposure and / or depopulate?
- B. How could Citizens further encourage private market carriers to “take out” Citizens’ policies?
- C. How could Citizens promote the retention of risk by the private market following

depopulation of that risk from Citizens?

- D. What are market hindrances to the further depopulation of Citizens?
- E. What does the impact of Florida's property insurance market structure—with a high level of domestic carriers and a reliance on reinsurance—have on Citizens' role as a residual market insurer?
- F. How could Citizens optimize its role as a residual market insurer to create conditions which would promote the availability of additional capital in Florida's property insurance market?
- G. What additional measures could Citizens take to decrease the likelihood and / or impact of assessments?
- H. How could Citizens further improve its overall financial strength, which affects, for example, Citizens' bond rating, Florida's bond rating, and the overall financial strength of the State?
- I. For any recommended opportunities:
 - 1. What would the impact be on Citizens' access to capital markets and traditional reinsurance?
 - 2. What are the implications to Citizens' ability to respond to significant market fluctuations?
 - 3. What is the expected business outcome and what would be the expected benefits resulting from the recommended opportunity? As examples: reduced Citizens' risk and exposure, increased depopulation, decreased likelihood and / or impact of assessments, reduced cost of property insurance, improved surplus, improved access to capital markets and traditional reinsurance, improved ability to respond to market fluctuations (such as private market insolvencies), improved catastrophe response, and improved customer service.
 - 4. Does the opportunity conflict with a boundary or constraint (see Section III), and, if so, what is a feasible mitigating measure?

III. Boundaries and Constraints

In conducting the Analysis, the following boundaries and constraints must be considered. Where a recommended opportunity conflicts with a boundary or constraint, a feasible mitigating measure should be suggested.

- A. Reduce Citizens' actual exposure (not just policy count).
- B. Promote the private market's retention of risk depopulated by Citizens.
- C. Maintain Citizens' tax-exempt status.
- D. Protect the favorable status of Citizens' outstanding bonds.
- E. Maintain Citizens' ability to provide levels of customer service that are comparable to the standards of the private market.
- F. Maintain adequate organizational capacity and capability enabling Citizens to respond to significant market fluctuations.