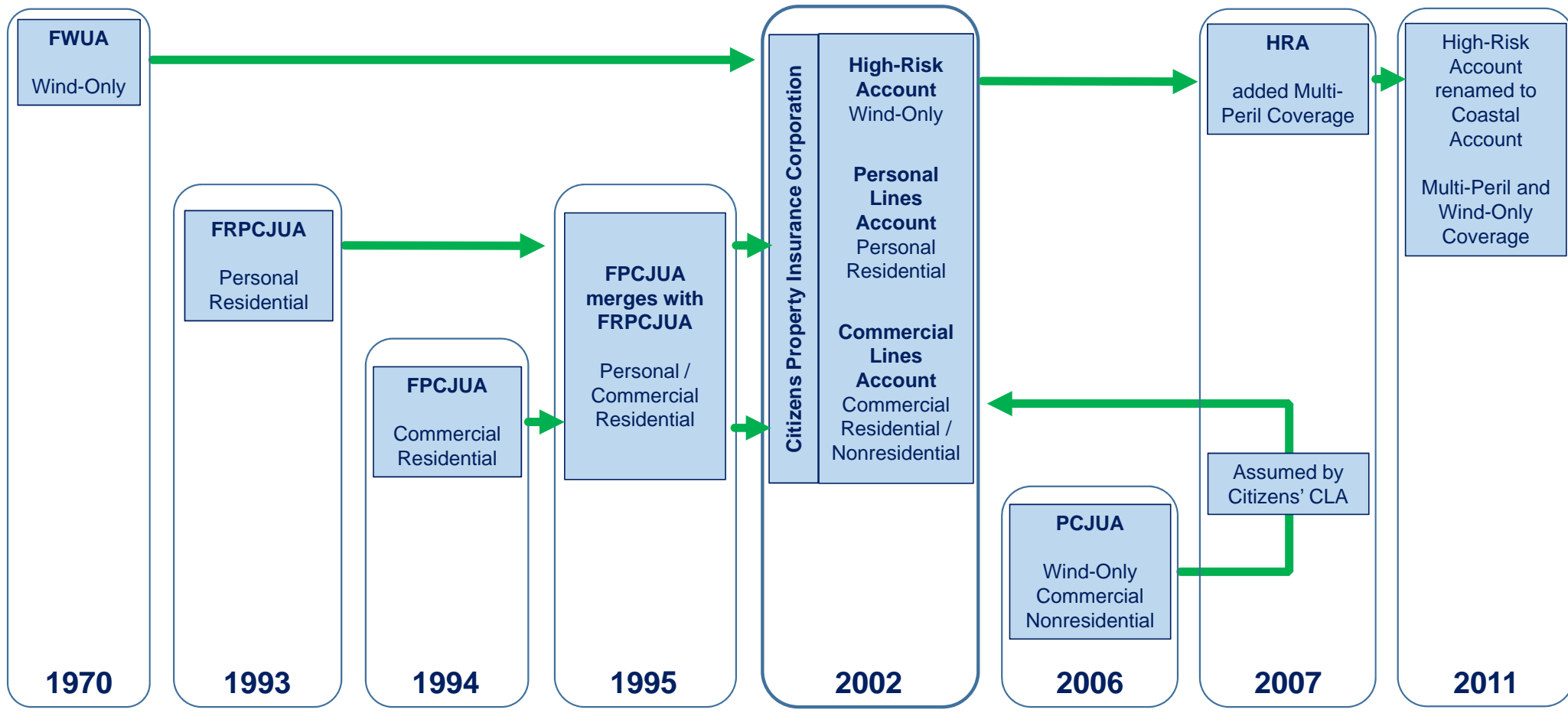

Account History and Characteristics | Citizens Property Insurance Corporation

March 2016



Timeline of Citizens' Accounts



Reporting Entity Comparison



	REPORTING ENTITY					
	Combined (PLA / CLA / Coastal)	PLA / CLA (Combined)	Coastal	PLA	CLA	Coastal
Annual / Quarterly NAIC Statements	✓					
Rate Indications / Filings	✓					
FIGA and FHCFC Assessments	✓					
Premium Taxes	✓					
Audited Financial Statements	✓			✓	✓	✓
Annual Budget	✓			✓	✓	✓
FHCFC Coverage		✓	✓			
Pre- / Post-Event Bonds		✓	✓			
Claims Paying Capacity		✓	✓			
PML / Exposure Modeling	✓	✓	✓	✓	✓	✓
Invested Assets		✓	✓	✓	✓	✓
Private Reinsurance (if purchased)				✓	✓	✓
Citizens Policyholder Surcharge				✓	✓	✓
Regular Assessment						✓
Emergency Assessment				✓	✓	✓
Depopulation				✓	✓	✓
Loss and LAE Reserve Analysis				✓	✓	✓
Agent Commissions				✓	✓	✓

	Statutory History	Risk Transfer	Debt	Policy Forms	Assessments
<p>PLA (Personal Lines Account)</p>	<ul style="list-style-type: none"> Created in 1993 as FRPCJUA after Hurricane Andrew pursuant to F.S. 627.351(6) Policies provide coverage for all perils covered under a standard personal residential policy, subject to certain underwriting requirements FRPCJUA's activities became the PLA when Citizens was created in 2002 	<ul style="list-style-type: none"> Private reinsurance purchased in 2002 and 2005 Private reinsurance recoveries can only be claimed against losses in the PLA 	<ul style="list-style-type: none"> All debt issued since the 1995 merger was issued jointly as the PLA and CLA are a single entity for credit purposes PLA and CLA creditors have no claim against the Coastal Account The final maturity of PLA and CLA debt occurs in 2022 FHCF reimbursements, emergency assessments, net premiums, additional surcharges, legislative appropriations, and other moneys held pursuant to the Indenture of the PLA and CLA are pledged as security 	<ul style="list-style-type: none"> Homeowners (HO-3) Modified Homeowners (HO-8) Dwelling Fire (DP-1 and DP-3) Condo Unit Owners (HO-6) Mobile Homeowners (MHO-3) Mobile Home Dwelling Fire (MDP-1) Tenant (HO-4) Mobile Home Tenants (MHO-4) 	<ul style="list-style-type: none"> Citizens Policyholder Surcharge – up to 15% of policyholder premium per account (maximum of 45% of policyholder premium) Emergency Assessment – up to 10% of aggregate statewide assessable premium Citizens will also pass through to policyholders assessments levied by FIGA and the FHCF
<p>CLA (Commercial Lines Account)</p>	<ul style="list-style-type: none"> Created in 1994 as FPCJUA Policies initially provided commercial residential coverage In 1995, legislation directed the transfer of but separate accounting for all obligations, rights, assets, and liabilities from the FPCJUA to the FRPCJUA FPCJUA's activities became the CLA when Citizens was created in 2002 In 2007, PCJUA absorbed by Citizens' CLA 	<ul style="list-style-type: none"> Participation in the FHCF during all years since Citizens was created For purposes of the FHCF, the PLA and CLA are considered together as a single participating insurer with its own exposures, reimbursement premium, and loss reimbursement 	<ul style="list-style-type: none"> Private reinsurance purchased in 2002 Private reinsurance recoveries can only be claimed against losses in the CLA 	<ul style="list-style-type: none"> Commercial Residential Policies (excludes liability coverage) Commercial Nonresidential Policies (commercially operated nonresidential property) 	<ul style="list-style-type: none"> Citizens Policyholder Surcharge – up to 15% of policyholder premium per account (maximum of 45% of policyholder premium) Emergency Assessment – up to 10% of aggregate statewide assessable premium Citizens will also pass through to policyholders assessments levied by FIGA and the FHCF
<p>Coastal (Coastal Account)</p>	<ul style="list-style-type: none"> Created in 1970 as FWUA pursuant to F.S. 627.351(2) Initially provided wind-only coverage for personal residential, commercial residential, and commercial nonresidential properties FWUA's activities became the Coastal Account (HRA) when Citizens was created in 2002 Policies within the Coastal Account must be within statutorily defined "Eligible Areas" 	<ul style="list-style-type: none"> Private reinsurance purchased in 2005, 2008, 2011, 2012, 2013, 2014, and 2015 Participation in the FHCF during all years since Citizens was created; considered a participating insurer separate from the PLA / CLA Private reinsurance recoveries can only be claimed against losses in the Coastal Account 	<ul style="list-style-type: none"> Coastal Account creditors have no claim against the PLA and CLA The final maturity of Coastal debt occurs in 2025 FHCF reimbursements, emergency assessments, regular assessments, net premiums and surcharges (including the policyholder surcharge), and other moneys held pursuant to the Indenture of the Coastal Account are pledged as security 	<p>All policy forms of the PLA and CLA within "Eligible Areas"</p> <p>Personal Residential Wind-Only</p> <ul style="list-style-type: none"> Homeowners (HW-2) Tenant (HW-4) Condo Unit Owners (HW-6) Dwelling (DW-2) Mobile Home (MW-2) Mobile Home Dwelling (MD-1) <p>Commercial Wind-Only</p> <ul style="list-style-type: none"> Commercial Residential Commercial Nonresidential 	<ul style="list-style-type: none"> Citizens Policyholder Surcharge – up to 15% of policyholder premium per account (maximum of 45% of policyholder premium) Regular Assessment – up to 2% of aggregate statewide assessable premium Emergency Assessment – up to 10% of aggregate statewide assessable premium Citizens will also pass through to policyholders assessments levied by FIGA and the FHCF

Advantages and Disadvantages with Account Consolidation



Advantages

- Sharing of surplus among the three accounts
- Reduce the overall amount of Citizens' assessments faced by Floridians
- Potential streamlining of financial reporting
- Potential operational efficiencies

Disadvantages

- Erosion of individual account surplus
 - Restrictive financing documents – outstanding debt must mature before account consolidation
 - Reduction of Citizens' assessment ability
 - Reduced overall liquidity and claims-paying resources
 - Increased reliance on pre-event/post-event financing
 - Reduced financial flexibility and increased overall financing costs
 - Potential impact on Citizens' credit rating
 - Potential adverse impact to rates for the same policyholders within each rate territory primarily due to cross-subsidy
 - Cost of consolidation
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Statutory History of Citizens' Accounts



Personal Lines Account

- Began operations in early 1993 as the Florida Residential Property and Casualty Joint Underwriting Association (FRPCJUA) following Hurricane Andrew
- F.S. 627.351(6) was the enabling statute
- Purpose was to provide certain residential property and casualty insurance coverage to qualified risks in the State to applicants who are in good faith entitled to procure insurance through the voluntary market but are unable to do so
- Coverage consists of the type of coverage provided by homeowners, mobile homeowners, tenants, condominium unit owners, and similar policies and provide coverage for all perils covered under a standard personal residential policy, subject to certain underwriting requirements
- Policies that meet the geographic location requirements of the Coastal Account's (f/k/a the HRA or FWUA) "Eligible Areas" must exclude windstorm coverage as a covered peril
- During 1995, legislation was enacted to transfer all obligations, rights, assets, and liabilities related to commercial residential coverage from the FPCJUA to the FRPCJUA
- This legislation required that the premium, losses, assets, and liabilities be accounted for separately from the FRPCJUA's personal residential business
- In 2002, Citizens was created pursuant to F.S. 627.351(6)
- The FRPCJUA's personal residential business became known as the Personal Lines Account (PLA) following the 2002 statutory creation of Citizens
- Subsection (b) 2.a.(I) of F.S. 627.351(6) requires that all revenues, assets, liabilities, losses, and expenses of the Personal Lines Account be divided separately from the other two accounts

Commercial Lines Account

- Began operations in early 1994 as the Florida Property and Casualty Joint Underwriting Association (FPCJUA)
- F.S. 627.351(5) was the enabling statute
- Purpose was to provide commercial residential coverage (i.e. condominium associations, apartment buildings, and homeowner associations) in the State to persons unable to obtain such coverage from a voluntary insurer
- Policies that meet the geographic location requirements of the Coastal Account's (f/k/a the HRA or FWUA) "Eligible Areas" must exclude windstorm coverage as a covered peril
- During 1995, legislation was enacted to transfer all obligations, rights, assets, and liabilities related to commercial residential coverage from the FPCJUA to the FRPCJUA
- This legislation required that the premium, losses, assets, and liabilities be accounted for separately from the FRPCJUA's personal residential business
- In 2002, Citizens was created pursuant to F.S. 627.351(6)
- The FPCJUA's commercial residential business and the FRPCJUA's commercial nonresidential business became known as the Commercial Lines Account (CLA) following the 2002 statutory creation of Citizens
- Subsection (b) 2.a.(II) of F.S. 627.351(6) requires that all revenues, assets, liabilities, losses, and expenses of the Commercial Lines Account be divided separately from the other two accounts
- In 2006, the Property Casualty Joint Underwriting Association (PCJUA) was established to write only commercial nonresidential wind-only coverage in territories not covered by the Coastal Account
- In 2007, the CLA began writing commercial nonresidential wind-only policies and also assumed the then-outstanding policies from the PCJUA

Coastal Account

- Began operations in 1970 as the Florida Windstorm Underwriting Association (FWUA) as an unincorporated association, the members of which were all property insurance companies holding a certified of authority to provide property insurance coverage in the State.
 - F.S.627.351(2) was the enabling statute
 - Purpose was to provide policies of wind-only insurance for property owners within the Eligible Areas who were unable to obtain such coverage from voluntary market insurers
 - Insured properties include personal residential, commercial residential, and commercial nonresidential properties
 - In 2002, Citizens was created pursuant to F.S. 627.351(6)
 - The FWUA's activities became known as the Coastal Account (formerly entitled the High-Risk Account) following the 2002 statutory creation of Citizens
 - In 2007, the Coastal Account began writing multi-peril coverage
 - Subsection (b) 2.a.(III) of F.S. 627.351(6) requires that all revenues, assets, liabilities, losses, and expenses of the Coastal Account be divided separately from the other two accounts
 - Eligible Areas:
 - currently include portions of 29 of Florida's 35 coastal counties, including all of Monroe County and the area within Port Canaveral
 - in Miami-Dade, Broward, and Palm Beach Counties, all of the areas east of I-95 are eligible (in some instances extends as far as five miles from the coast)
 - elsewhere in the State, coverage is generally limited to a distance within 1,000 – 1,500 feet from the coast
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